

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

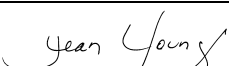
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

City of East Lansing, Michigan

Comprehensive Annual Financial Report June 30, 2007

Prepared by:

**Department of Finance
Mary Haskell, CPA
Director of Finance**

Introductory Section

City of East Lansing, Michigan

Contents

Introductory Section

Table of Contents	i-iii
Letter of Transmittal	iv-ix
Certificate of Achievement for Excellence in Financial Reporting	x
Organizational Chart	xi

Financial Section

Report Letter	1-2
----------------------	------------

Management's Discussion and Analysis	3-12
---	-------------

Basic Financial Statements

Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14-15
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	16
Reconciliation of Fund Balances to the Statement of Net Assets	17
Statement of Revenue, Expenditures, and Changes in Fund Balances	18
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Proprietary Funds:	
Statement of Net Assets	20
Statement of Revenue, Expenses, and Changes in Net Assets	21
Statement of Cash Flows	22
Fiduciary Fund - Statement of Assets and Liabilities	23
Component Units:	
Statement of Net Assets (Deficit)	24
Statement of Activities	25-26
Notes to Financial Statements	27-49

City of East Lansing, Michigan

Contents (Continued)

Required Supplemental Information

Budgetary Comparison Schedule - General Fund	50
Note to Required Supplemental Information	51

Other Supplemental Information

Nonmajor Governmental Funds:	52
Combining Balance Sheet	53-54
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	55-56
Budgetary Comparison Schedule	57-64
Internal Service Funds:	65
Combining Statement of Net Assets	66
Combining Statement of Revenue, Expenses, and Changes in Net Assets	67
Combining Statement of Cash Flows	68
Agency Funds - Statement of Changes in Assets and Liabilities	69
Component Units - Fund-based Statements:	
Downtown Development Authority	70
Downtown Management Board	71
Brownfield Redevelopment Authority	72
Economic Development Corporation	73

Statistical Section

Financial Trend Information:	75
Net Assets by Component	76
Changes in Governmental Net Assets	77
Changes in Business-type Net Assets	78
Fund Balances, Governmental Funds	79-80
Changes in Fund Balances, Governmental Funds	81-84
Revenue Capacity:	85
Taxable Value and Actual Value of Taxable Property	86-87
Direct and Overlapping Property Tax Rates	88-89
Principal Property Taxpayers	90
Property Tax Levies and Collections	91

City of East Lansing, Michigan

Contents (Continued)

Statistical Section (Continued)

Debt Capacity:	92
Ratios of Outstanding Debt	93-94
Ratios of General Bonded Debt Outstanding	95-96
Direct and Overlapping Governmental Activities Debt	97
Legal Debt Margin	98-99
Pledged-revenue Coverage	100
 Demographic and Economic Information:	 101
Demographic and Economic Statistics	102
Principal Employers	103
 Operating Information:	 104
Full-time Equivalent Government Employees	105-106
Operating Indicators	107-108
Capital Asset Statistics	109-110



CITY OF EAST LANSING

The Home of Michigan State University

October 11, 2007

Mayor and Members of City Council
City of East Lansing
East Lansing, Michigan 48823

The Comprehensive Annual Financial Report of the City of East Lansing for the fiscal year ended June 30, 2007, is submitted herewith. This report was prepared by the City's Finance Department. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City's administration. We believe this financial information is accurate in all material aspects; that it is presented in a manner designated to fairly state the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities are included.

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East Lansing, MI 48823

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The statements for the fiscal year ending June 30, 2007, were prepared in accordance with Statement No. 34 of the Government Accounting Standards Board (GASB #34) entitled "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." Before GASB #34 implementation, the financial statements only provided information about individual funds of the City. These funds established by the City show restrictions on planned use of resources or to measure, in the short term, the revenues and expenditures arising from municipal activities. While some of the statements in the CAFR are still on an individual fund basis, GASB #34 requires new government-wide financial statements which were prepared using accrual accounting for all government activities. These statements at the government-wide level will help readers assess the finances of the government in its entirety; determine if the City's overall financial position improved or deteriorated, and see how the City invested in capital assets like roads, bridges, sewers, parks, etc. The government-wide statements are aimed at looking at the City as a whole and how it looks in the long term. Also included is a section called Management Discussion and Analysis which is intended to give an easily readable analysis of the City's financial performance for the year.

CITY SERVICES

The City provides the full range of municipal services contemplated by statute and/or charter. These services include police, fire, rescue, ambulance, district court, sanitation, recycling, recreation, library, streets and roads, public improvements, downtown parking, water, sewer, planning, zoning and general administrative services.

ECONOMIC CONDITION AND OUTLOOK

East Lansing is located in central Lower Michigan adjacent to the City of Lansing--Michigan's state capital. East Lansing is a residential, commercial oriented community serving as a local business, marketing and cultural center and is the home of Michigan State University.

The State of Michigan's economic recovery continues to be challenged by high unemployment rates as the State tries to reposition itself in a knowledge-based global market. Nonetheless, the East Lansing economy appears to still be strong. The state equalized value (SEV) of all property in the City grew at 6.44% over last year despite an inflationary increase of only 1.033%. The City continues to grow as evidenced by the number of and value of building permits. For the calendar year 2006, the City issued 653 permits with a value of \$66,830,202 compared to calendar year 2005, 623 permits with a value of \$35,360,506.

In November 1993, Michigan voters passed a Proposal A which affected how K-12 education is funded. School operating property taxes were drastically reduced which cut many homeowners' property taxes in half. In its place, a 2 cent sales tax increase was implemented which was earmarked for education, as well as a state wide 6 mill education property tax. While the ballot initiative had the greatest impact on school funding, there were several City budget impacts as well. Proposal A also limited the increase on assessment of individual properties to the lesser of 5% or the consumer price index (CPI). The only exception to this provision is the uncapping of taxable value upon the transfer of property ownership. The initiative also called for an assessment increase limit of 5% or consumer price index whichever is LESS by individual parcel, except when the ownership of a parcel is transferred. Therefore, the ability to raise revenue with the increase in property value is greatly diminished.

In marathon sessions, the Michigan legislature finally passed a budget continuation bill on October 1, 2007. At this time, it looks as if revenue sharing payments to local governments will remain flat and while this is good news, it does not reflect the increased costs of the City for doing business. Additionally, PA289 fire-protection money could be scaled back. Until the final budget cuts are approved by the legislature, both budgeted sources of revenue for the City remain at risk.

MAJOR INITIATIVES

In 1996, 1998, 2000, and 2002, the City Council adopted a set of strategic priorities on which the City focused its attention. In January 2004, Council again updated these priorities which formed the framework for the Council's initiatives. They include:

STRONG NEIGHBORHOODS

The City's neighborhoods can increase their attractiveness for a diverse population of residents through the continuous improvements of public services, the provision of aesthetically pleasing and safe community amenities, and the maintenance of a strong infrastructure and quality housing stock.

VIBRANT ECONOMY

Continued economic development and strengthened efforts to expand the diversity of businesses and services will contribute to a vibrant economy.

ENHANCED PUBLIC ASSETS

Maintaining and improving the City's public assets is critical to East Lansing's well-being. These assets include both physical structures and facilities as well as the recreational, cultural and educational programs that provide all residents with a sense of community.

ENVIRONMENTAL QUALITY

Protecting the health and environment of the East Lansing community encompasses many areas of City government. Efficient and effective water, sewer, street and transportation systems are all key elements in achieving a high quality, healthy environment.

HIGH PERFORMING CITY GOVERNMENT

Maintaining a dynamic, high performing City government organization is necessary to achieve improvements in the four other strategic priority areas. The City will continue to focus on efficiency and effectiveness in the way work is performed and customer services are delivered.

The City and its leadership are also committed to prudent fiscal management and stewardship of our citizens' tax dollars. To honor this commitment, we have developed a 5-year financial plan and several financial policies to provide guidance in short and long-term decision-making. The City's debt management policy and fund balance reserve policy are particularly useful as we strive to preserve the optimal amount of "rainy-day" funds while still encouraging the economic development that continues throughout the City. Use of these tools positively impacted our bond-rating assessment and ultimately led to a rating increase from AA to AA+ from both Standard & Poor's and Fitch Investor Services.

Significant Initiatives -

The following is a partial list of significant initiatives either underway or accomplished in FY2007:

- The City updated its five year financial forecast for the General Fund for the second year as part of its strategic fiscal planning practices. The forecast became a framework for making financial decisions throughout the 2007 year and an integral part of developing the 2008 fiscal year budget.
- With Council approval of a Debt Management Policy, the City formally expanded its set of fiscal management tools.
- East Lansing Prime Time became only the sixth senior center in the entire State of Michigan and the 144th in the United States to receive National Accreditation through the National Council on Aging and the National Institute of Senior Centers in 2007.
- A series of workshops, facilitated by the City, MSU and The Pierce Company, helped involve community stakeholders in the planning process behind East Village. This proposed mixed-use redevelopment project will ultimately create a thriving urban center featuring living opportunities, retail, restaurants and office space along a picturesque riverfront walk of the Red Cedar River.
- City and soccer fundraisers celebrated the installation of new lighting at the East Lansing Soccer Complex in February.
- East Lansing hosted the Inaugural Labor Management Luncheon and Budget Kickoff in late March as a thank you to representatives from the City's nine unions for their successful collaboration with City staff and management on the East Lansing Healthcare Taskforce. Through a rigorous assessment of market options and modest benefit changes in 2007, the Taskforce reduced a 13 percent healthcare renewal rate to approximately 3.5 percent.
- The East Lansing Police Department signed a contract with VisionAIR for new, shared software. The software serves as an upgrade to the Records Management System (RMS) and Computer Aided Dispatch (CAD system ELPD has utilized since 1998 and is shared by the newly formed Technology Improvement Cooperative (TIC), which consists of East Lansing, Williamston, Mason, Meridian Township, MSU, Ingham County and Lansing Township.
- East Lansing City Council and project developers held a groundbreaking event for the Stonehouse Village III district's new Albert Place Condominiums.
- City staff launched a successful East Lansing Emerging Leaders Program (ELELP). This 10-week course in civic engagement teaches the fundamentals of local government and community leadership. Topics of the program, which will now be offered to community members on an annual or biannual basis, ranged from East Lansing's regional partners to the role of government, conflict resolution and the municipal budgeting process.
- Construction of the West Village project, adjacent to Valley Court Park on West Grand River, made substantial ground in 2007. At completion, this exciting project will bring 15 townhouse units, 32 condominium flats and 20 loft-style condominiums to a central downtown location.

- Construction will begin in the fall of 2007 on the Avondale Square project. Located in the 600 block of Virginia Avenue, Avondale Square will bring 30 distinctly designed, new homes to an area of the City in convenient walking distance of East Lansing schools, parks and the downtown.
- The City brought a new off-leash dog park to an area north of the East Lansing Softball Complex. Through City funds and community donations, the picturesque park now allows for residents to provide their canines with vital, outdoor exercise in a fenced-in setting.
- East Lansing's Centennial Sculpture was installed at Valley Court Park in fall 2007. The sculpture was commissioned by the East Lansing Art's Commission in honor of the City's 100th birthday. Created by award-winning artist John Neering, the sculpture "represents the people of the City of East Lansing who have contributed to creating a viable and strong community over the past 100 years."

INTERNAL CONTROLS

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the City assets are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of the control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

MUNICIPAL SECONDARY MARKET DISCLOSURE

Certain financial information is required to be disclosed annually in compliance with Security and Exchange Commission Rule 15c, 2-12. We maintain the information contained in this Comprehensive Annual Financial Report that meets the annual reporting guidelines.

INDEPENDENT AUDIT

The City Charter and State Law require an audit of the accounts of the City annually by qualified accountants experienced in municipal accounting. The City contracted with the auditing firm of Plante & Moran, PLLC, to conduct the audit and their report is included in the Comprehensive Annual Financial Report. The audit team consisted of Jean Young, Partner, Kristine Latchaw, Shaun Krick, Sean Tanner, Ashley Gray and Ken Schellenberg.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of East Lansing for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006, as well as the twenty two previous fiscal years.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENT

The attached report represents the final product in the accounting cycle of the City for the year ended June 30, 2007. The issuance of this report is the culmination of many hours of effort in analyzing and reporting city-wide fiscal operations for the 2007 year. We would like to express our appreciation to Plante & Moran, PLLC, auditors for their efforts in making their audit run smoothly. We also wish to acknowledge the efforts of Connie Larkin, Assistant Finance Director & City Treasurer; Mike Birchmeier, CPA, Budget & Accounting Administrator; Vicki Durr-Marinez, Finance Secretary; and other staff members in their efforts in closing the books and assisting the auditors in their examination. We would like to give special thanks to Jill Martinez, CPA, Senior Finance Analyst, who provided such valuable support during the audit and report-writing process. We would also like to thank the Mayor and the City Council for their interest and support in the financial condition of the City. For further information regarding the City's financial condition, please see the Management Discussion and Analysis included in the report.

Sincerely,



Theodore J. Staton
City Manager



Mary L. Haskell, CPA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of East Lansing
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

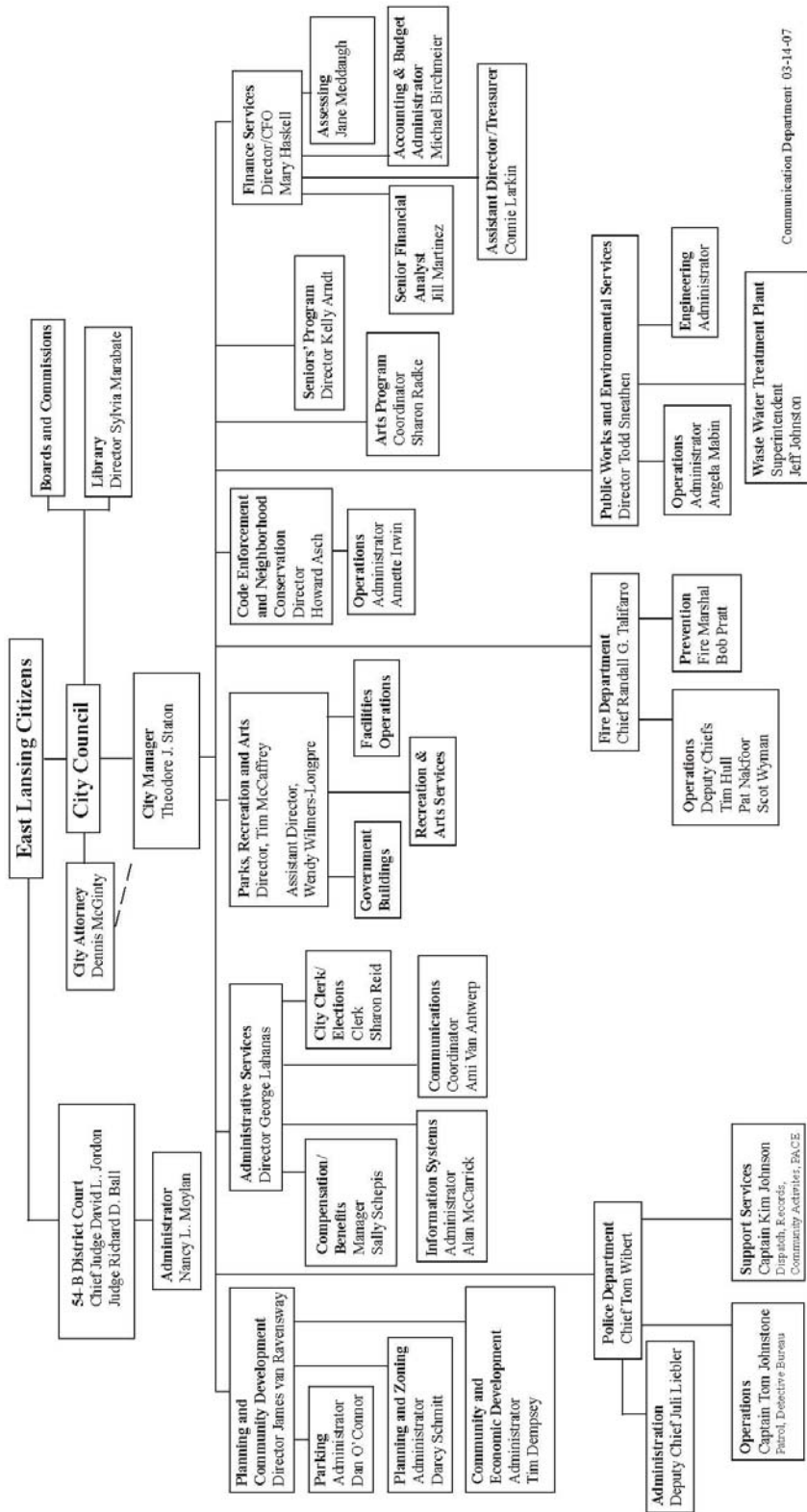
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

City of East Lansing, Michigan ORGANIZATIONAL CHART



Communication Department 03-14-07

Financial Section



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Independent Auditor's Report

To the City Council
City of East Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of East Lansing, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of East Lansing, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of East Lansing, Michigan as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the City Council
City of East Lansing, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of East Lansing, Michigan's basic financial statements. The management's discussion and analysis and the budgetary comparison schedule - General Fund, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules, combining balance sheets, and combining statements of revenue, expenditures, and changes in fund balance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2007 on our consideration of the City of East Lansing, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moreau, PLLC

October 11, 2007

Management's Discussion and Analysis

City of East Lansing, Michigan

Management's Discussion and Analysis

Overview of the Financial Statements

The City of East Lansing's 2007 annual report follows the same format as last year. The annual report consists of five parts - management's discussion and analysis, the basic financial statements, required supplemental information, other supplemental information that presents combining statements for nonmajor governmental funds and fiduciary funds, and a statistical section. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health or position.

The government-wide financial statements of the City are divided into three categories:

- Governmental activities - Most of the City's basic services are included here, such as police, fire, public works, court, streets, recreation, library, solid waste disposal, parks departments, and general administration. Property taxes, state-shared revenue, charges for services, and court revenues provide most of the funding.
- Business-type activities - The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer system and automobile parking system are treated as business-type activities.
- Component units - The City includes four other entities in its report: the Downtown Development Authority, the Downtown Management Board, the Brownfield Redevelopment Authority, and the Economic Development Corporation. Although legally separate, these "component units" are important because the City is financially accountable for them, including debt, which was issued on behalf of the authorities by the City.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law and bond covenants. The City Council establishes other funds to control and manage money for particular purposes.

The City has three kinds of funds:

- **Governmental funds** - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- **Proprietary funds** - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long- and short-term financial information.
- **Fiduciary fund** - The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose. All of the City's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Financial Overview

The City of East Lansing has combined net assets of approximately \$84 million. Business-type activities comprise approximately \$34 million, and governmental activities make up approximately \$50 million of the total net assets. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current assets	\$ 22,212,759	\$ 17,620,348	\$ 2,868,232	\$ 2,691,673	\$ 25,080,991	\$ 20,312,021
Other noncurrent assets	1,958,667	149,864	7,225,369	2,694,792	9,184,036	2,844,656
Capital assets	68,013,143	65,939,236	72,961,552	72,014,947	140,974,695	137,954,183
Total assets	92,184,569	83,709,448	83,055,153	77,401,412	175,239,722	161,110,860
Liabilities						
Current liabilities	10,610,274	6,261,375	4,128,141	4,096,824	14,738,415	10,358,199
Long-term liabilities	31,404,058	27,779,482	44,773,146	41,766,153	76,177,204	69,545,635
Total liabilities	42,014,332	34,040,857	48,901,287	45,862,977	90,915,619	79,903,834
Net Assets						
Invested in capital assets -						
Net of related debt	36,496,965	37,990,389	29,596,773	27,566,896	66,093,738	65,557,285
Restricted	6,300,422	3,353,582	-	-	6,300,422	3,353,582
Unrestricted	7,372,850	8,324,620	4,557,093	3,971,539	11,929,943	12,296,159
Total net assets	<u>\$ 50,170,237</u>	<u>\$ 49,668,591</u>	<u>\$ 34,153,866</u>	<u>\$ 31,538,435</u>	<u>\$ 84,324,103</u>	<u>\$ 81,207,026</u>

Net assets increased in total by \$3,117,077 or 3.8 percent. Business-type activities' net assets increased by \$2,615,431 or 8.3 percent when compared to the prior fiscal year. This was largely driven by the increase in the investment in capital assets in the Water Enterprise Fund. Governmental activities increased \$501,646 or 1.0 percent. The City purchased several properties as part of the Burcham Park remediation and Avondale Square Project. Booking these costs as an asset, "assets available for sale", is one of the primary reasons for the increase in the net assets of the governmental activities for fiscal year 2007. Other sources of the increase can be attributed to the special assessment receivable and cash and accumulated cash in the Capital Projects Funds.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Financial Overview (Continued)

The following table shows the changes in net assets:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Program revenue:						
Charges for services	\$ 11,585,444	\$ 11,374,389	\$ 14,245,819	\$ 13,876,811	\$ 25,831,263	\$ 25,251,200
Operating grants and contributions	6,783,120	5,874,043	-	-	6,783,120	5,874,043
Capital grants and contributions	3,033,485	460,055	2,227,380	1,585,680	5,260,865	2,045,735
General revenue:						
Property taxes	17,069,798	16,414,048	-	-	17,069,798	16,414,048
State-shared revenue	5,729,807	5,783,245	-	-	5,729,807	5,783,245
Unrestricted investment earnings	501,263	417,271	42,114	30,481	543,377	447,752
Unrestricted franchise fees	421,492	431,921	-	-	421,492	431,921
Miscellaneous	141,468	176,757	-	-	141,468	176,757
Total revenue	45,265,877	40,931,729	16,515,313	15,492,972	61,781,190	56,424,701
Program Expenses						
General government	8,381,585	7,703,683	-	-	8,381,585	7,703,683
Public safety	17,533,818	16,599,383	-	-	17,533,818	16,599,383
Public works	7,412,733	6,430,119	-	-	7,412,733	6,430,119
Health and welfare	96,469	83,966	-	-	96,469	83,966
Community and economic development	2,428,516	941,254	-	-	2,428,516	941,254
Recreation and culture	7,946,825	7,533,706	-	-	7,946,825	7,533,706
Interest on long-term debt	964,285	933,333	-	-	964,285	933,333
Water	-	-	2,959,887	2,971,674	2,959,887	2,971,674
Sewer	-	-	7,419,026	6,785,663	7,419,026	6,785,663
Parking	-	-	3,520,969	3,448,329	3,520,969	3,448,329
Total program expenses	44,764,231	40,225,444	13,899,882	13,205,666	58,664,113	53,431,110
Change in Net Assets	501,646	706,285	2,615,431	2,287,306	3,117,077	2,993,591
Net Assets - Beginning of year	49,668,591	48,962,306	31,538,435	29,251,129	81,207,026	78,213,435
Net Assets - End of year	\$ 50,170,237	\$ 49,668,591	\$ 34,153,866	\$ 31,538,435	\$ 84,324,103	\$ 81,207,026

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

Revenues for governmental activities totaled approximately \$45 million in 2007. A total of \$17.1 million was in the form of property tax collections which reflects no increase in the total millage rate, but an increase of \$51 million in taxable value, or 6.1 percent due to new construction and increases in existing properties. The City received a reinstatement of \$1.4 million for fire protection services of governmental buildings which was reduced by the State in prior years. State-shared revenues continue to be of concern. While they provided \$5.7 million in 2007, this is more than a \$53,000 decrease from 2006 and a \$166,000 decrease from 2005. We anticipate revenue-sharing revenue to be held flat in the next operating cycle, so the fiscal year 2008 adopted budget reflected the current trend and only budgeted \$5.7 million in revenue.

On the expenditure side, we saw increases over the prior year in:

- Public safety increased by \$934,435 because a larger number of retiring employees received accrued leave banks and the associated pension contributions.
- Public works expenditures increased by \$982,614 primarily due to an accrual for Burcham Park remediation costs (see Note 13) and the restoration of the emergency sidewalk repair program.
- Community and Economic Development saw a significant increase of \$1,487,262 because of capital outlay costs associated with the Avondale Square project.

Business-type Activities

The City of East Lansing has three business-type activities. These include the water, sewer, and automobile parking operations. Revenues for business-type activities were \$16.5 million. The City purchases water from the East Lansing Meridian Water Sewer Authority and water is distributed by the City through mains to customers. The City operates the wastewater treatment plant, which serves not only the City, but also Michigan State University and Meridian Township through contracts. City customers are billed quarterly for water and sewer service based on water consumption.

Additionally, developers and special assessments projects (see page 22) constructed water lines and sewage improvements with a value of \$2,227,380 and donated them to the City.

The automobile parking system consists of four attended parking ramps, two attended parking lots, five metered lots, one permit-only lot, and various street meters all in the downtown. Parking revenue includes monthly permits, transient parking (spitter tickets), merchant validations, and meter revenues.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Financial Analysis of City Funds and Budgets

The General Fund ended 2007 with an undesignated fund balance of \$2,586,689 (compared to \$2,894,217 in 2006), with another \$984,555 designated for appropriation in fiscal year 2007 or set aside for special purposes. Prepaid special assessment revenue of \$1,348,383 has been reserved in fund balance for the payment of debt service on the special assessment bonds. Several factors affected operating results. Property taxes and assessments reflected an increase of 3.8 percent or \$638,851 over last year's revenue due to new construction and increases in existing properties. Licenses and permits fell below budget by \$71,698, reflecting a slowdown in construction activity. Fines and forfeitures decreased because parking fine revenue from 54-B District Court was \$212,390 lower than budget. The remainder of the variance for fines and forfeitures on the Budgetary Comparison Schedule (page 50) resulted from the "netting" of the allocation of parking fines to the Parking Fund against the revenue.

The General Fund budget is amended throughout the year as deemed necessary. This is done primarily to prevent unfavorable budget variances. With that in mind, the General Fund expenditures were 99 percent of budget. The largest under-budget area was "transfer out to other funds" at \$656,247, due to a smaller OPEB contribution to firefighter retiree healthcare being made than was hoped for and a smaller transfer to the Capital Improvement Fund for government facility improvements that were budgeted but were not completed in FY07. General government was \$242,292 under budget primarily due to savings in several departmental cost centers. Actual insurance claims in government buildings came in lower than what was budgeted, 54-B realized lower personal service costs, postage for the city was low, and the finance department experienced a four-month delay in replacing the accounting and budget administrator. Public safety was \$197,126 under budget due to the savings in PACE personal services, a low number of insurance claims, and a delay in spending budgeted capital outlay money for its new CAD/RMS system. The remainder of what is owed on the contract is encumbered for FY08.

Public works - highways and streets appear to be over budget by a significant amount, \$546,108. This is due to reflecting the City's share of the special assessment cost (\$698,161) of the Tower/Snell drain. This expense did not get budgeted by year end as well as the offsetting revenue item, contribution of drainage flow rights. Factoring out this "gross up" of the Tower/Snell drain costs/revenue leaves public works with a \$152,053 positive budget variance. Culture and recreation is over budget by \$101,911 due to the Scene Metrospace's unexpected move to a new location, higher than planned performer costs in the community event's budget, and additional work on the soccer grounds and parks.

Solid Waste Fund

An accumulated surplus of \$340,688 within the Solid Waste Fund relates to property tax revenue and has been reserved in the fund balance for solid waste operations. An additional \$492,300 has been inventoried as assets available for sale to account for the purchase of several properties associated with the continued remediation of the Burcham Park site.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Debt Management

The City is very proud to have received an increase in its AA rating to AA+ from both Standard & Poor's and Fitch Investor Services.

In August 2006, the City Council approved the City's first debt management policy. This policy formalizes prudent practices for issuance and reporting of debt for capital improvements.

The City issued two bond issues in fiscal year 2007. They are as follows:

- \$3,910,000 of General Obligation Limited Tax Special Assessment Bonds for:
 - Installation of roadways and drainage on West Road north of Coleman Road to Coolidge Road and municipal utilities adjacent to West Road from Coleman Road from Coleman Road north to Coolidge Road (Special Assessment District #71A).
 - Widening and reconstruction of roadway and installation of drainage on West Road north of the Ingham County line and on Coleman Road from West Road east to Coolidge Road and installation of municipal utilities on Coleman Road from West Road to Coolidge Road and on West Road from the Ingham County line to Coleman Road (Special Assessment District #71B).

The improvements are assessed to the property owners over a 10-year period with annual installments due with their summer tax bills.

- \$4,310,000 of bonds comprised of \$2,160,000 of General Obligation Limited Tax Bonds and \$2,150,000 General Obligation Limited Tax Bonds-Taxable for:
 - Purchase of a two-story parking structure as part of the Stonehouse Village III development (\$3,085,000)
 - Expansion of Lot 11 with improvements (\$625,000)
 - Coleman Road street and utility improvements not financed by special assessment bonds (\$600,000)

Additional borrowing in FY07 included:

- Section 108 loan from U.S. Department of Housing and Urban Development for \$1.5 million, payable over 20 years. The proceeds were used for property acquisition on Virginia Street as part of the Avondale Square development project.
- \$2.5 million in Bond Anticipation Notes from a local bank has been approved by City Council for a term of three-years. Of the \$2.5 million available, \$1.3 million has been issued to finance additional property acquisition, relocation of residents, and the beginning of the demolition work.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

- Installment purchase agreement from a local bank in the amount of \$1,016,810, payable over seven years. The proceeds were used to purchase and install a revenue control, vehicle count, card access, and parking management system for City parking ramps and lots.

For more information on long-term debt, please refer to Note 7 on pages 41 through 44.

Capital Projects

The City completed its work on the retention basin for the combined sewer overflow abatement program.

A major street reconstruction project was completed on Burcham Drive between Abbot Road and Hagadorn Road. This project included reconstruction of the entire roadway. Six other local street reconstruction and resurfacing projects in the Chartwell and Pinecrest neighborhoods were also completed.

A residential development, named Avondale Square, by the City was started late in fiscal year 2006. In fiscal year 2007, the City received a special purpose grant for \$346,000 and borrowed \$1.5 million from HUD to acquire existing homes in the 600 block of Virginia Street. These homes will be demolished and the improved sites will be sold to private developers to build 30 new homes for families of various income levels. Future Community Development Block Grant revenue from the federal government has been pledged to repay the outstanding HUD note over the next 20 fiscal years. In fiscal year 2007, a \$2.5 million short-term loan was secured through a local bank and certificates of participation were issued. A total of \$1.3 million was drawn on the loan to finance property acquisitions, relocation of residents, and the beginning of the demolition work.

The City's Brownfield Redevelopment projects continued their momentum in 2007 with the approval of Stonehouse Village III, a 36-unit (one-, two- and three-bedroom) condominium built over a two-story, 122-space parking structure, funded in part by the Brownfield Redevelopment Authority. The City issued \$3.7 million in bonds to finance the purchase of the parking structure from the developer as part of this project and improve Parking Lot 11.

In September 2006, the City received notification of funding through a cooperative agreement with the U.S. Environmental Protection Agency (EPA). The reimbursement-based grant of \$300,000 allows the City to conduct detailed assessment of contaminated properties throughout the City.

The City's Parking Fund purchased a new revenue control computer system in December 2006. The system was financed with a seven-year installment purchase agreement and is capable of providing a "cashier-less pay in lane" transaction. Customers are now able to use credit and debit cards in addition to cash as forms of payment and in the future, on-line validations will be available.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

The City finished the fourth and final phase of improvements to the soccer complex fields and amenities. The City has contributed over \$600,000 for the completion of this project and has already received pledges over \$300,000 to reimburse these capital outlay costs.

For more information on capital asset activity, please refer to Note 5 on pages 38 through 40.

Current Economic Issues

As of the date of this letter, several issues are worth noting or updating in evaluating the financial condition of the City of East Lansing.

The City helped launch the Lansing Economic Area Partnership in collaboration with regional public and private partners in 2007. The new nonprofit organization focuses primarily on the future enhancement of mid-Michigan's economic development. The City pledged \$100,000 to LEAP, which will be divided over the first three years of the organization's operation. Through its partnership with LEAP, the City plans to take on a number of projects in coming years. First and foremost, the City will continue its attraction and promotion of high-tech jobs in fields such as health and finance in an effort to create a more welcoming work haven for graduating MSU students.

Revenue sharing remains the most significant budgetary concern at this time. The State of Michigan is experiencing significant budgeting problems as the State experiences the harsh economic realities of decline in the auto manufacturing industry and high unemployment rates. As it looks for solutions, revenue sharing continues to be a source of money that the State can confiscate to balance its budget. Revenue sharing has declined from \$7 million in 2002 to \$5.78 million in 2006 and even further in 2007 at \$5.73 million. We understand that current funding levels will remain intact for fiscal year 2008, but we continue to be prudent with conservative budget estimates for this source of revenue.

We also closely monitor the fire protection reimbursement. Under Public Act 289 of 1978, the State is to reimburse municipalities for providing fire protection services for state-owned facilities in their jurisdictions. In our case, we get fire reimbursement for Michigan State University and the State Police Headquarters. The State has never fully reimbursed municipalities. Given the state economy, this reimbursement had been cut from \$900,000 plus annually in 2000, 2001, and 2002 to approximately \$450,000 in 2003, 2004, and 2005. However, in mid-fiscal year 2006, the City received a supplemental appropriation from the State, raising our total reimbursement to \$880,000. In October 2006 (fiscal year 2007), we received another supplemental appropriation (just below \$421,000) from the State's fiscal year 2006 budget year due to better than anticipated collections. In December of fiscal year 2007, we received funding of \$935,054, closer to the 2000 level but still not fully funded.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

The Governmental Accounting Standards Board has issued two recent statements (Nos. 43 and 45) that require municipalities and other governments to disclose the full, actuarially determined value of its future health care and other postemployment benefits. While the full cost must be disclosed, only the annual required contribution (ARC) will be accrued on the government-wide financial statements. The City will be working in the upcoming months on completing its collection of data to forward to actuaries for the determination of the cost of our retiree healthcare promises.

Contact Us

This report is intended to aid our residents and other interested parties in understanding the City's financial condition. Should you have further questions, please contact the finance department at City Hall.

Basic Financial Statements

City of East Lansing, Michigan

Statement of Net Assets June 30, 2007

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
Assets				
Cash and investments (Note 3)	\$ 12,716,058	\$ 1,258,706	\$ 13,974,764	\$ 87,026
Receivables - Net (Note 4)	6,785,150	1,233,354	8,018,504	48,394
Due from other governmental units	892,756	228,510	1,121,266	-
Due from other funds	44,000	(44,000)	-	-
Assets available for sale	1,408,800	-	1,408,800	-
Inventories and prepaids	365,995	191,662	557,657	-
Restricted cash (Note 3)	1,720,912	4,277,555	5,998,467	-
Net investment in East Lansing-Meridian				
Water and Sewer Authority	-	2,637,216	2,637,216	-
Bond refinancing issue costs	237,755	310,598	548,353	-
Capital assets - Net (Note 5):				
Assets not subject to depreciation	8,279,852	2,639,556	10,919,408	-
Assets subject to depreciation	59,733,291	70,321,996	130,055,287	623,087
Total assets	92,184,569	83,055,153	175,239,722	758,507
Liabilities				
Accounts payable	1,486,235	489,094	1,975,329	24,740
Accrued and other liabilities	1,521,062	555,818	2,076,880	-
Unearned revenue (Note 4)	1,779,563	-	1,779,563	-
Noncurrent liabilities (Note 7):				
Due within one year	5,823,414	3,083,229	8,906,643	-
Due in more than one year	31,404,058	44,773,146	76,177,204	700,000
Total liabilities	42,014,332	48,901,287	90,915,619	724,740
Net Assets				
Invested in capital assets - Net of related debt	36,496,965	29,596,773	66,093,738	(76,913)
Restricted:				
Streets and highways	1,258,044	-	1,258,044	-
Debt service	1,391,555	-	1,391,555	-
Capital projects	3,571,140	-	3,571,140	-
Solid waste	79,171	-	79,171	-
Arts	512	-	512	-
Unrestricted	7,372,850	4,557,093	11,929,943	110,680
Total net assets	\$ 50,170,237	\$ 34,153,866	\$ 84,324,103	\$ 33,767

City of East Lansing, Michigan

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 8,381,585	\$ 5,429,822	\$ -	\$ -
Public safety	17,533,818	2,629,564	2,888,704	52,876
Public works	7,412,733	557,009	2,651,400	2,474,622
Health and welfare	96,469	-	-	-
Community and economic development	2,428,516	-	776,834	160,677
Culture and recreation	7,946,825	2,969,049	466,182	345,310
Interest on long-term debt	964,285	-	-	-
Total governmental activities	44,764,231	11,585,444	6,783,120	3,033,485
Business-type activities:				
Water	2,959,887	2,719,140	-	1,057,070
Sewer	7,419,026	7,376,993	-	1,170,310
Parking	3,520,969	4,149,686	-	-
Total business-type activities	13,899,882	14,245,819	-	2,227,380
Total primary government	<u>\$ 58,664,113</u>	<u>\$ 25,831,263</u>	<u>\$ 6,783,120</u>	<u>\$ 5,260,865</u>
Component units:				
Downtown Development Authority	\$ 1,167,564	\$ 24,825	\$ -	\$ -
Downtown Management Board	58,771	-	-	-
Brownfield Redevelopment Authority	220,522	100,000	1,041	-
Economic Development Corporation	609	17,563	-	-
Total component units	<u>\$ 1,447,466</u>	<u>\$ 142,388</u>	<u>\$ 1,041</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Unrestricted state-shared revenues				
Unrestricted investment earnings				
Unrestricted franchise fees				
Miscellaneous				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2007

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,951,763)	\$ -	\$ (2,951,763)	\$ -
(11,962,674)	-	(11,962,674)	-
(1,729,702)	-	(1,729,702)	-
(96,469)	-	(96,469)	-
(1,491,005)	-	(1,491,005)	-
(4,166,284)	-	(4,166,284)	-
(964,285)	-	(964,285)	-
(23,362,182)	-	(23,362,182)	-
-	816,323	816,323	-
-	1,128,277	1,128,277	-
-	628,717	628,717	-
-	2,573,317	2,573,317	-
(23,362,182)	2,573,317	(20,788,865)	-
-	-	-	(1,142,739)
-	-	-	(58,771)
-	-	-	(119,481)
-	-	-	16,954
-	-	-	(1,304,037)
17,069,798	-	17,069,798	1,185,781
5,729,807	-	5,729,807	-
501,263	42,114	543,377	11,757
421,492	-	421,492	-
141,468	-	141,468	4,490
23,863,828	42,114	23,905,942	1,202,028
501,646	2,615,431	3,117,077	(102,009)
49,668,591	31,538,435	81,207,026	135,776
\$ 50,170,237	\$ 34,153,866	\$ 84,324,103	\$ 33,767

City of East Lansing, Michigan

Governmental Funds Balance Sheet June 30, 2007

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 4,886,421	\$ 712,616	\$ 2,684,598	\$ 8,283,635
Receivables - Net (Note 4)	6,374,556	22,314	45,544	6,442,414
Due from other governmental units	386,041	6,287	500,428	892,756
Due from other funds	44,000	-	-	44,000
Assets available for sale	-	916,500	492,300	1,408,800
Inventories and prepaids	25,536	-	25,876	51,412
Restricted cash (Note 3)	-	1,720,912	-	1,720,912
Total assets	<u>\$ 11,716,554</u>	<u>\$ 3,378,629</u>	<u>\$ 3,748,746</u>	<u>\$ 18,843,929</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 363,870	\$ 222,412	\$ 447,925	\$ 1,034,207
Accrued and other liabilities	641,064	-	135,849	776,913
Deferred revenue (Note 4)	5,791,993	-	9,591	5,801,584
Total liabilities	6,796,927	222,412	593,365	7,612,704
Fund Balances				
Reserved for:				
Encumbrances	707,800	61,594	329,421	1,098,815
Assets available for sale	-	916,500	492,300	1,408,800
Inventories and prepaids	25,536	-	25,876	51,412
Solid waste operations	-	-	340,688	340,688
Special assessment capital projects	-	1,720,912	-	1,720,912
Debt service for special assessment bonds	1,348,383	-	-	1,348,383
Unreserved, reported in:				
General Fund:				
Designated (Note 12)	251,219	-	-	251,219
Undesignated	2,586,689	-	-	2,586,689
Special Revenue Funds:				
Designated (Note 12)	-	-	1,016,920	1,016,920
Undesignated	-	-	502,081	502,081
Debt Service Fund - Undesignated	-	-	43,172	43,172
Capital Projects Funds:				
Designated (Note 12)	-	457,211	404,923	862,134
Total fund balances	<u>4,919,627</u>	<u>3,156,217</u>	<u>3,155,381</u>	<u>11,231,225</u>
Total liabilities and fund balances	<u>\$ 11,716,554</u>	<u>\$ 3,378,629</u>	<u>\$ 3,748,746</u>	<u>\$ 18,843,929</u>

City of East Lansing, Michigan

Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets June 30, 2007

Total Fund Balances of Governmental Funds **\$ 11,231,225**

Amounts reported for governmental activities in the statement of activities are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	68,013,143
Special assessment and other revenues are recorded in the statement of activities when the revenue is earned; they are not reported in the funds until collected or collectible within 60 days of year end	4,022,021
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(37,227,472)
Bond issuance costs are reported as deferred and are amortized over the term of the related debt	237,755
Internal Service Funds are also included as governmental activities, net of amounts included above as capital assets and long-term liabilities	4,164,375
Accrued interest payable is not due and payable in the current period and is not reported in the funds	<u>(270,810)</u>

Net Assets of Governmental Activities **\$ 50,170,237**

City of East Lansing, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2007

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Property taxes and assessments	\$ 17,396,792	\$ -	\$ 1,342,171	\$ 18,738,963
Licenses and permits	1,295,962	-	-	1,295,962
Federal sources	145,673	346,500	627,525	1,119,698
State sources	7,085,718	95,800	2,913,004	10,094,522
Intergovernmental revenue	135,392	-	572,590	707,982
Charges for services	4,428,143	-	2,665,085	7,093,228
Fines and forfeitures	3,119,261	-	34,768	3,154,029
Interest and rentals	327,099	108,711	355,668	791,478
Other	929,806	70,198	422,404	1,422,408
Total revenue	34,863,846	621,209	8,933,215	44,418,270
Expenditures				
Current:				
General government	8,220,884	-	-	8,220,884
Public safety	16,967,986	-	-	16,967,986
Public works	1,008,494	-	5,143,619	6,152,113
Health, welfare, and community development	96,469	1,697,404	74,089	1,867,962
Culture and recreation	1,719,230	-	5,337,113	7,056,343
Capital outlay	1,555,028	2,612,043	1,589,929	5,757,000
Debt service	-	30,328	2,748,714	2,779,042
Total expenditures	29,568,091	4,339,775	14,893,464	48,801,330
Excess of Revenue Over (Under) Expenditures	5,295,755	(3,718,566)	(5,960,249)	(4,383,060)
Other Financing Sources (Uses)				
Issuance of long-term debt	698,161	6,710,000	-	7,408,161
Premiums on issuance of debt	-	53,785	-	53,785
Transfers in (Note 6)	188,265	114,000	6,796,250	7,098,515
Transfers out (Note 6)	(6,040,098)	(188,265)	(1,170,152)	(7,398,515)
Total other financing sources (uses)	(5,153,672)	6,689,520	5,626,098	7,161,946
Change in Fund Balances	142,083	2,970,954	(334,151)	2,778,886
Fund Balances - Beginning of year	4,777,544	185,263	3,489,532	8,452,339
Fund Balances - End of year	<u>\$ 4,919,627</u>	<u>\$ 3,156,217</u>	<u>\$ 3,155,381</u>	<u>\$ 11,231,225</u>

City of East Lansing, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Net Change in Fund Balances - Total governmental funds \$ 2,778,886

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay incurred in the current year	5,580,399
Depreciation	(3,157,976)

Special assessment and other revenues are recorded in the statement of activities when the revenue is earned; they are not reported in the funds until collected or collectible within 60 days of year end

870,944

Governmental funds report debt proceeds as revenues and debt principal payments as expenditures; these revenues and costs are reported as liabilities and are not reported as expenditures in the statement of activities:

Bond proceeds from issuance of debt	(6,710,000)
Bond principal payments	1,934,218
Drainage flow rights liability	(698,161)
Burcham Park remediation liability	(224,693)

Governmental funds report bond issuance costs, bond premiums, and deferred charges on refunding as expenditures; these costs are allocated over the related bond term as interest expense:

Bond issuance costs	104,543
Bond discounts	(53,785)

Decreases in accumulated employee sick and vacation pay in governmental funds are recorded when earned in the statement of activities

28,725

Interest expense is recorded in the statement of activities when incurred; it is not reported in the funds until paid

(123,376)

Internal Service Funds are also included as governmental activities

171,922

Change in Net Assets of Governmental Activities

\$ 501,646

City of East Lansing, Michigan

Proprietary Funds Statement of Net Assets June 30, 2007

	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund	Total Enterprise Funds	Internal Service Funds
Assets					
Current assets:					
Cash and investments (Note 3)	\$ 176,799	\$ 15,407	\$ 1,066,500	\$ 1,258,706	\$ 4,432,423
Receivables - Net (Note 4)	61,336	451,187	720,831	1,233,354	342,736
Due from other governmental units	-	-	228,510	228,510	-
Inventories and prepaids	-	179,020	12,642	191,662	314,583
Total current assets	238,135	645,614	2,028,483	2,912,232	5,089,742
Noncurrent assets:					
Restricted cash (Note 3)	3,702,311	197,486	377,758	4,277,555	-
Investment in East Lansing-Meridian Water and Sewer Authority	-	2,637,216	-	2,637,216	-
Capital assets (Note 5)	25,760,526	7,632,859	39,568,167	72,961,552	13,220,512
Bond refinancing issue costs	310,598	-	-	310,598	-
Total noncurrent assets	29,773,435	10,467,561	39,945,925	80,186,921	13,220,512
Total assets	30,011,570	11,113,175	41,974,408	83,099,153	18,310,254
Liabilities					
Current liabilities:					
Accounts payable	35,727	95,150	358,217	489,094	181,771
Accrued and other liabilities	29,335	27,778	44,713	101,826	473,339
Claims payable (Note 8)	-	-	-	-	270,257
Accrued interest payable	295,973	2,916	155,103	453,992	-
Due to other funds	44,000	-	-	44,000	-
Current portion of long-term debt (Note 7):					
Compensated absences	19,260	-	113,710	132,970	257,152
Bonds payable	1,270,259	-	1,680,000	2,950,259	300,000
Total current liabilities	1,694,554	125,844	2,351,743	4,172,141	1,482,519
Noncurrent liabilities - Net of current portion (Note 7):					
Compensated absences	43,806	-	37,265	81,071	244,553
Bonds payable	22,897,213	205,980	21,588,882	44,692,075	8,291,344
Total noncurrent liabilities	22,941,019	205,980	21,626,147	44,773,146	8,535,897
Total liabilities	24,635,573	331,824	23,977,890	48,945,287	10,018,416
Net Assets					
Invested in capital assets - Net of related debt	5,295,365	7,624,365	16,677,043	29,596,773	4,629,168
Unrestricted	80,632	3,156,986	1,319,475	4,557,093	3,662,670
Total net assets	<u>\$ 5,375,997</u>	<u>\$ 10,781,351</u>	<u>\$ 17,996,518</u>	<u>\$ 34,153,866</u>	<u>\$ 8,291,838</u>

City of East Lansing, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2007

	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund	Total Enterprise Funds	Internal Service Funds
Operating Revenue					
Parking revenue	\$ 3,572,973	\$ -	\$ -	\$ 3,572,973	\$ -
User service charges	-	2,719,140	7,376,993	10,096,133	6,348,145
Equipment and building rental	71,278	-	-	71,278	2,543,483
Other charges for services	-	-	-	-	102,015
Total operating revenue	3,644,251	2,719,140	7,376,993	13,740,384	8,993,643
Operating Expenses					
Purchase of water from East Lansing - Meridian Water and Sewer Authority	-	1,128,655	-	1,128,655	-
Disposal plant	-	-	3,976,023	3,976,023	-
Distribution	-	955,099	-	955,099	-
Collection system	-	-	992,198	992,198	-
Pumping station	-	-	60,044	60,044	-
Customer accounts and collection	-	496,527	-	496,527	-
General and administrative	1,701,434	113,840	429,466	2,244,740	8,034,017
Depreciation	706,543	205,274	1,726,880	2,638,697	1,019,388
Total operating expenses	2,407,977	2,899,395	7,184,611	12,491,983	9,053,405
Operating Income (Loss)	1,236,274	(180,255)	192,382	1,248,401	(59,762)
Nonoperating Revenue (Expenses)					
Interest income	-	5,696	36,418	42,114	202,572
Interest expense	(1,112,992)	(2,916)	(234,415)	(1,350,323)	(365,248)
Contributions from DDA	505,435	-	-	505,435	-
Loss from joint venture	-	(57,576)	-	(57,576)	-
Total nonoperating expenses	(607,557)	(54,796)	(197,997)	(860,350)	(162,676)
Net Income (Loss)	628,717	(235,051)	(5,615)	388,051	(222,438)
Transfers In (Note 6)	-	-	-	-	300,000
Capital Contributions	-	1,057,070	1,170,310	2,227,380	94,360
Change in Net Assets	628,717	822,019	1,164,695	2,615,431	171,922
Net Assets - Beginning of year	4,747,280	9,959,332	16,831,823	31,538,435	8,119,916
Net Assets - End of year	<u>\$ 5,375,997</u>	<u>\$ 10,781,351</u>	<u>\$ 17,996,518</u>	<u>\$ 34,153,866</u>	<u>\$ 8,291,838</u>

City of East Lansing, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2007

	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities					
Receipts from customers	\$ 3,651,939	\$ 2,729,352	\$ 7,357,483	\$ 13,738,774	\$ 9,055,987
Payments to suppliers	(591,292)	(1,750,920)	(3,415,810)	(5,758,022)	(1,504,850)
Claims paid	-	-	-	-	(5,309,597)
Payments to employees	(1,075,081)	(965,702)	(2,245,388)	(4,286,171)	(958,103)
Payments to other funds	(120,000)	-	-	(120,000)	-
Net cash provided by operating activities	1,865,566	12,730	1,696,285	3,574,581	1,283,437
Cash Flows from Capital and Related Financing Activities					
Principal and interest paid on long-term debt	(2,145,827)	-	(1,856,941)	(4,002,768)	(660,581)
Proceeds from issuance of long-term debt	4,726,810	205,980	980,801	5,913,591	-
Payment of bond issuance costs	(97,266)	-	-	(97,266)	-
Transfers from other funds	-	-	-	-	300,000
Contribution from DDA	505,435	-	-	505,435	-
Purchase of capital assets	(1,022,809)	(11,513)	(323,600)	(1,357,922)	(576,515)
Net cash provided by (used in) capital and related financing activities	1,966,343	194,467	(1,199,740)	961,070	(937,096)
Cash Flows from Investing Activities -					
Interest received on investments	-	5,696	36,418	42,114	196,871
Net Increase in Cash and Cash Equivalents	3,831,909	212,893	532,963	4,577,765	543,212
Cash and Cash Equivalents - Beginning of year	47,201	-	911,295	958,496	3,889,211
Cash and Cash Equivalents - End of year	<u>\$ 3,879,110</u>	<u>\$ 212,893</u>	<u>\$ 1,444,258</u>	<u>\$ 5,536,261</u>	<u>\$ 4,432,423</u>
Cash and Cash Equivalents as Shown on the Statement of Net Assets					
Cash and investments	\$ 176,799	\$ 15,407	\$ 1,066,500	\$ 1,258,706	\$ 4,432,423
Restricted cash	3,702,311	197,486	377,758	4,277,555	-
Total cash and cash equivalents	<u>\$ 3,879,110</u>	<u>\$ 212,893</u>	<u>\$ 1,444,258</u>	<u>\$ 5,536,261</u>	<u>\$ 4,432,423</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 1,236,274	\$ (180,255)	\$ 192,382	\$ 1,248,401	\$ (59,762)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	706,543	205,274	1,726,880	2,638,697	1,019,388
Changes in assets and liabilities:					
Receivables	7,688	10,212	(19,510)	(1,610)	62,344
Due from other governmental units	31,000	-	(11,544)	19,456	-
Other assets	-	(11,987)	9,691	(2,296)	4,276
Accounts payable	15,031	(14,413)	(264,948)	(264,330)	30,732
Accrued wages	7,397	-	64,151	71,548	(23,218)
Other liabilities	3,633	3,899	(817)	6,715	249,677
Due to other funds	(120,000)	-	-	(120,000)	-
Deferred revenue	(22,000)	-	-	(22,000)	-
Net cash provided by operating activities	<u>\$ 1,865,566</u>	<u>\$ 12,730</u>	<u>\$ 1,696,285</u>	<u>\$ 3,574,581</u>	<u>\$ 1,283,437</u>

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2007, developers and special assessments contributed water lines and sewage improvements with a value of \$2,227,380 to the City. In addition, capital assets of \$94,360 were contributed to the Garage Fund from the General Fund.

City of East Lansing, Michigan

Fiduciary Fund Statement of Assets and Liabilities June 30, 2007

	<u>Agency Fund</u>
Assets	
Cash	\$ 1,085,518
Receivables - Net	<u>137,583</u>
 Total assets	 <u>\$ 1,223,101</u>
Liabilities	
Accounts payable	\$ 4,973
Due to other governmental units	258,510
Accrued and other liabilities	<u>959,618</u>
 Total liabilities	 <u>\$ 1,223,101</u>

City of East Lansing, Michigan

Component Units Statement of Net Assets (Deficit) June 30, 2007

	Downtown Development Authority	Downtown Management Board	Brownfield Redevelopment Authority	Economic Development Corporation	Total
Assets					
Cash and investments	\$ 39,281	\$ 16,327	\$ 14,464	\$ 16,954	\$ 87,026
Receivables - Net	2,237	46,157	-	-	48,394
Capital assets - Net (Note 5)	<u>623,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>623,087</u>
Total assets	664,605	62,484	14,464	16,954	758,507
Liabilities					
Accounts payable	23,360	1,380	-	-	24,740
Bonds payable (Note 7)	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700,000</u>
Total liabilities	<u>723,360</u>	<u>1,380</u>	<u>-</u>	<u>-</u>	<u>724,740</u>
Net Assets (Deficit)					
Invested in capital assets - Net of related debt	(76,913)	-	-	-	(76,913)
Unrestricted	<u>18,158</u>	<u>61,104</u>	<u>14,464</u>	<u>16,954</u>	<u>110,680</u>
Total net assets (deficit)	<u>\$ (58,755)</u>	<u>\$ 61,104</u>	<u>\$ 14,464</u>	<u>\$ 16,954</u>	<u>\$ 33,767</u>

City of East Lansing, Michigan

		Program Revenues	
		Charges for	Operating
	Expenses	Services	Grants/ Contributions
Downtown Development Authority	\$ 1,167,564	\$ 24,825	\$ -
Downtown Management Board	58,771	-	-
Brownfield Redevelopment Authority	220,522	100,000	1,041
Economic Development Corporation	609	17,563	-
Total component unit activities	<u>\$ 1,447,466</u>	<u>\$ 142,388</u>	<u>\$ 1,041</u>

General revenues:

Property taxes

Interest

Miscellaneous

Total general revenues

Change in Net Assets

Net Assets (Deficit) - Beginning of year

Net Assets (Deficit) - End of year

**Component Units
Statement of Activities
Year Ended June 30, 2007**

Net (Expense) Revenue and Changes in Net Assets				
Downtown Development Authority	Downtown Management Board	Brownfield Redevelopment Authority	Economic Development Corporation	Total
\$ (1,142,739)	\$ -	\$ -	\$ -	\$ (1,142,739)
-	(58,771)	-	-	(58,771)
-	-	(119,481)	-	(119,481)
-	-	-	16,954	16,954
(1,142,739)	(58,771)	(119,481)	16,954	(1,304,037)
1,092,571	(693)	93,903	-	1,185,781
10,040	815	902	-	11,757
-	4,490	-	-	4,490
1,102,611	4,612	94,805	-	1,202,028
(40,128)	(54,159)	(24,676)	16,954	(102,009)
(18,627)	115,263	39,140	-	135,776
\$ (58,755)	\$ 61,104	\$ 14,464	\$ 16,954	\$ 33,767

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of East Lansing, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of East Lansing, Michigan:

Reporting Entity

The City of East Lansing, Michigan is governed by an elected five-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Discretely Presented Component Units - The following component units are reported within the component unit column in the combined financial statements. Separate financial statements are not issued for these component units. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

- a. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. This authority's governing body, which consists of 13 individuals, is appointed by the City Council. In addition, the authority's budget is subject to approval by the City Council. The authority's administrative office is located at 410 Abbott Road, East Lansing, MI 48823.
- b. The Downtown Management Board was formed by the City Council in accordance with Michigan Public Act 146 to market and promote the downtown, to maintain common areas of the downtown, and to recruit and retain business in the downtown. This board's governing body, which consists of nine individuals, is appointed by the City Council. In addition, the board's budget is subject to approval by the City Council. The board's administrative office is located at 410 Abbott Road, East Lansing, MI 48823.

Note I - Summary of Significant Accounting Policies (Continued)

- c. The Brownfield Redevelopment Authority was formed by the City Council in fiscal year 2003-2004 in accordance with P.A. 381. The purpose of the authority is to authorize and permit the use of certain tax incremental financing for developmental projects, preferably on contaminated or blighted areas. The governing body is comprised of the same 13 individuals who were appointed by the City Council to the Downtown Development Authority. In addition, the authority's budget is subject to approval by the City Council. The authority's administrative office is located at 410 Abbott Road, East Lansing, MI 48823.
- d. The Economic Development Corporation (the "Corporation") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of seven individuals, is selected by the City Council. In addition, the Corporation's budget is subject to approval by the City Council. The Corporation's administrative office is located at 410 Abbott Road, East Lansing, MI 48823.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Amounts reported as general revenues represent:

- a. Revenues received from the City's own taxpayers (property taxes)
- b. Revenues received from parties outside the government whose use is unrestricted (state-shared revenue, franchise fees, and other miscellaneous revenues)
- c. Revenues generated by the City itself (unrestricted investment earnings)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency Funds have no measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Note I - Summary of Significant Accounting Policies (Continued)

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the City.

The government reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for the Cool Cities initiative, City property acquisition, Virginia Avenue project, City parks, and special assessments.

The government reports the following major proprietary funds:

Automobile Parking System Fund - The Automobile Parking System Fund is used to account for revenue and expenses relating to street meters, metered parking lots, two attended parking lots, and four attended parking ramps. The Building Authority was used to construct the parking structure and its activities have been blended into the Automobile Parking System Fund.

Water Supply System Fund - The Water Supply System Fund is used to account for the purchase and distribution of water to East Lansing citizens. Treated water is purchased from the East Lansing - Meridian Water and Sewer Authority. User charges to customers based upon water consumption account for substantially all of the revenue of this fund.

Sewage Disposal System Fund - The Sewage Disposal System Fund is used to account for the sewage collection system within the City and the wastewater treatment plant. Revenue consists of resident user fees and wastewater treatment payments by Michigan State University and Meridian Township.

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following fund types:

Internal Service Funds - Internal Service Funds account for financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The following activities are reported in internal service funds: self-insured workers' compensation, operation and maintenance of the motor vehicle fleet, and computers and equipment used by the various City departments.

Fiduciary Fund (Agency Fund) - The Fiduciary Fund (Agency Fund) is used to account for the collection of property taxes due to other jurisdictions, developer deposits, and escrow accounts that will subsequently be transferred to third parties.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewage Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes - Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2006 tax is levied and collectible on July 1, 2006 and is recognized as revenue in the year ended June 30, 2007, when the proceeds of the levy are budgeted and available for the financing of operations. The 2006 taxable valuation of the City totaled \$879 million. The tax levy and related revenue (net of delinquent amounts, etc.) were as follows:

Purpose	Millage Rate	Revenue
General operating	15.8565	\$ 13,349,000
Debt	1.8335	1,592,000
Other - Special assessments/administrative fees		<u>2,456,000</u>
Total reported in the General Fund		17,397,000
Solid Waste Fund	1.5900	<u>1,342,000</u>
Total		<u>\$ 18,739,000</u>

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 or an aggregate cost of more than \$20,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets acquired prior to the adoption of GASB 34 have been retroactively reported.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	50 years
Land improvements	20 to 30 years
Equipment	7 years
Infrastructure - Traffic signals, street lights, pathways, sidewalks, bridges	15 to 50 years
Streets	25 years
Water and sewer mains	50 years
Drainage flow rights	20 years
Library books and electronic resources	5 years
Vehicles	3 to 7 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Sick pay is accrued for employees eligible to retire who will be paid out when they separate from service with the City as well as an estimate for those employees who will become eligible to retire based on past results. Sick pay is accrued in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be re-appropriated and honored during the subsequent year. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the General Fund is included in the required supplemental information. Budget comparisons for the budgeted nonmajor funds are included in other supplemental information. The Community Development Block Grant Fund has been budgeted over the life of the projects and, therefore, its financial activity has been omitted from the budget statement.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2007

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City incurred expenditures that were in excess of the amounts budgeted as follows:

	Budget	Actual
General Fund - Public works highway and streets	\$ 1,059,551	\$ 1,605,659
General Fund - Culture and recreation	1,623,605	1,725,516
Library Fund - Culture and recreation	1,745,420	1,765,015
Parks and Recreation Fund - Transfer out to other funds	-	346,000

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in instruments that are acceptable under Michigan Public Act 20 of 1943 as amended. In addition, the City imposes other restrictions on allowable investments. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool, except that the Agency Fund investment earnings are allocated to the General Fund.

The City has designated 23 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$17,995,029 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity. At year end, the average maturities of the U.S. agency securities and the U.S. government securities are six months.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Commercial paper - GE	\$ 1,588,556	AI +	S&P
U.S. Agency Bonds - FHLB	264,033	AAA	S&P

Restricted Assets

Restricted cash balances are as follows:

	Unspent Bond Proceeds
Governmental activities - Capital Projects Fund	\$ 1,720,912
Business-type activities:	
Automobile Parking System Fund	\$ 3,702,311
Water Supply System Fund	197,486
Sewage Disposal System Fund	377,758
Total business-type activities	\$ 4,277,555

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2007

Note 4 - Receivables

Receivables as of year end for the City's individual major funds, and the nonmajor and Internal Service Fund in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Projects Fund	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund	Nonmajor and Other Funds	Total
Receivables:							
Taxes	\$ 135,233	\$ -	\$ -	\$ -	\$ -	\$ 2,973	\$ 138,206
Accounts	835,785	22,314	61,336	450,437	715,748	67,421	2,153,041
Special assessments	5,433,328	-	-	-	-	261,647	5,694,975
Interest and other	62,865	-	-	750	5,083	57,124	125,822
Less allowance for uncollectibles	<u>92,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>885</u>	<u>93,540</u>
Net receivables	<u>\$ 6,374,556</u>	<u>\$ 22,314</u>	<u>\$ 61,336</u>	<u>\$ 451,187</u>	<u>\$ 720,831</u>	<u>\$ 388,280</u>	<u>\$ 8,018,504</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the City has \$5,801,584 in deferred revenue, of which \$4,022,021 is unavailable special assessment and other revenue and \$1,779,563 is unearned by the City at year end.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities and the component units was as follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 6,514,394	\$ -	\$ -	\$ 6,514,394
Construction in progress	14,017	1,751,441	-	1,765,458
Subtotal	6,528,411	1,751,441	-	8,279,852
Capital assets being depreciated:				
Land improvements	4,641,216	401,075	-	5,042,291
Buildings and improvements	35,564,347	285,332	-	35,849,679
Vehicles	6,812,381	596,959	(639,422)	6,769,918
Equipment	9,937,548	622,167	-	10,559,715
Library books and electronic resources	1,020,081	165,165	(178,274)	1,006,972
Traffic signals	1,427,160	16,378	-	1,443,538
Streets	35,507,873	1,412,208	-	36,920,081
Decorative street lights	1,237,744	-	-	1,237,744
Pathways	39,366	-	-	39,366
Sidewalks	8,134	124,111	-	132,245
Drainage flow rights	-	698,161	-	698,161
Bridges	772,735	-	-	772,735
Subtotal	96,968,585	4,321,556	(817,696)	100,472,445
Accumulated depreciation:				
Land improvements	1,531,532	237,143	-	1,768,675
Buildings and improvements	6,842,312	718,749	-	7,561,061
Vehicles	4,986,360	582,147	(639,422)	4,929,085
Equipment	7,845,361	638,090	-	8,483,451
Library books and electronic resources	612,585	166,655	(178,274)	600,966
Traffic signals	872,523	88,637	-	961,160
Streets	13,987,430	1,447,908	-	15,435,338
Decorative street lights	681,254	82,543	-	763,797
Pathways	4,920	1,969	-	6,889
Sidewalks	678	2,340	-	3,018
Drainage flow rights	-	17,454	-	17,454
Bridges	192,805	15,455	-	208,260
Subtotal	37,557,760	3,999,090	(817,696)	40,739,154
Net capital assets being depreciated	59,410,825	322,466	-	59,733,291
Net capital assets	\$ 65,939,236	\$ 2,073,907	\$ -	\$ 68,013,143

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Capital assets not being depreciated:				
Land	\$ 2,186,695	\$ -	\$ -	\$ 2,186,695
Construction in progress	8,848,428	625,561	(9,021,128)	452,861
Subtotal	11,035,123	625,561	(9,021,128)	2,639,556
Capital assets being depreciated:				
Buildings and building improvements	48,184,434	-	9,021,128	57,205,562
Water and sewer mains	39,908,269	1,882,583	-	41,790,852
Equipment	7,403,377	1,077,158	-	8,480,535
Subtotal	95,496,080	2,959,741	9,021,128	107,476,949
Accumulated depreciation:				
Buildings and building improvements	21,148,341	1,112,792	-	22,261,133
Water and sewer mains	11,650,953	1,125,504	-	12,776,457
Equipment	1,716,962	400,401	-	2,117,363
Subtotal	34,516,256	2,638,697	-	37,154,953
Net capital assets being depreciated	60,979,824	321,044	9,021,128	70,321,996
Net capital assets	<u>\$ 72,014,947</u>	<u>\$ 946,605</u>	<u>\$ -</u>	<u>\$ 72,961,552</u>
Component Units	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Capital assets being depreciated -				
Buildings and building improvements	\$ 699,467	\$ -	\$ -	\$ 699,467
Accumulated depreciation -				
Buildings and building improvements	62,531	13,849	-	76,380
Net capital assets	<u>\$ 636,936</u>	<u>\$ (13,849)</u>	<u>\$ -</u>	<u>\$ 623,087</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 219,728
Public safety	231,997
Public works	1,723,693
Community and economic development	1,510
Culture and recreation	981,048
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>1,019,388</u>

Total governmental activities	<u>\$ 4,177,364</u>
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Business-type activities:

Water	\$ 205,274
Sewer	1,726,880
Parking	<u>706,543</u>

Total business-type activities	<u>\$ 2,638,697</u>
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Construction Commitments - The City has active construction projects at year end. The projects include various street projects, special assessments, a parking structure, and other miscellaneous projects. At year end, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Street projects	\$ 710,066	\$ 312,174
Other projects	519,997	283,181
Special assessments	1,855,857	941,958
Parking structure project	<u>7,689</u>	<u>2,769,043</u>
Total	<u>\$ 3,093,609</u>	<u>\$ 4,306,356</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2007

Note 6 - Interfund Transfers

Interfund transfers for the year ended June 30, 2007 consisted of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Library Fund	\$ 1,491,290
	Senior Fund	145,725
	Parks and Recreation Fund	1,249,185
	Debt Service Fund	2,300,078
	Capital Projects Fund Parks	439,820
	Insurance and Benefits Fund	300,000
	Capital Projects Fund	114,000
	Subtotal General Fund	6,040,098
Capital Projects Fund	General Fund	188,265
Major Streets Fund	Local Streets Fund	650,000
Library Fund	Debt Service Fund	174,152
Parks and Recreation Fund	Capital Projects Fund Parks	346,000
	Subtotal nonmajor funds	1,170,152
	Total interfund transfers	<u>\$ 7,398,515</u>

Transfers are used to provide resources from unrestricted General Fund revenues to finance various programs accounted for in other funds, in accordance with budgetary authorizations. In addition, the Major Streets Fund is allowed under Act 51 to share a portion of its gas and weight tax revenues with the Local Streets Fund. The Library Fund's transfer is used to move funds collected by the Library Fund to the Debt Service Fund as debt service payments come due. The transfer to the Insurance and Benefits Fund is funding for the City's future retiree health insurance and prescription costs.

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Governmental Activities					
General obligation bonds:					
Unlimited Tax Refunding Bonds	\$ 625,000	\$ -	\$ 310,000	\$ 315,000	\$ 315,000
Unlimited Tax Bonds Series A (1996)	675,000	-	255,000	420,000	-
Unlimited Tax Bonds Series B (1998)	6,920,000	-	400,000	6,520,000	415,000
Unlimited Tax Bonds Series (1999)	1,125,000	-	65,000	1,060,000	70,000
Limited Tax Downtown Development Bonds (2000)	295,000	-	70,000	225,000	70,000
Unlimited Tax Refunding Bonds (2005)	2,720,000	-	25,000	2,695,000	300,000
Limited Tax Downtown Development Refunding Bonds (2005)	3,635,000	-	35,000	3,600,000	35,000
2003 Public Service Garage Bonds	6,465,000	-	200,000	6,265,000	205,000
2004 Limited Tax Bonds	2,440,000	-	95,000	2,345,000	95,000
Limited Tax Bond Anticipation Notes	-	1,300,000	-	1,300,000	1,300,000
Less discounts and deferred charge on refunding	(520,959)	53,785	(55,516)	(411,658)	-
Other general obligations:					
HUD Note Series 2006-A	-	1,500,000	-	1,500,000	75,000
Towar/Snell Drain Assessment	-	698,161	34,908	663,253	34,908
Installment purchase contract -					
Court computers	89,806	-	44,311	45,495	45,495
Special assessment bonds:					
Bond Series A (1998)	195,000	-	100,000	95,000	95,000
Bond Series B (1998)	100,000	-	50,000	50,000	50,000
Bond Series (2002)	3,185,000	-	545,000	2,640,000	535,000
Bond Series (2006)	-	3,910,000	-	3,910,000	340,000
Other long-term obligations:					
Burcham Park remediation costs	555,000	224,693	-	779,693	-
Compensated absences	3,262,631	2,573,276	2,625,218	3,210,689	1,843,011
Total governmental activities	<u>\$ 31,766,478</u>	<u>\$ 10,259,915</u>	<u>\$ 4,798,921</u>	<u>\$ 37,227,472</u>	<u>\$ 5,823,414</u>

The Limited Tax Downtown Development Bonds (2000 and 2005) are intended to be funded by contributions from the Downtown Development Authority.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Long-term Debt (Continued)

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Business-type Activities					
General obligation bonds:					
Limited Tax Building Authority					
Refunding Bonds Series 1999	\$ 6,665,000	\$ -	\$ 475,000	\$ 6,190,000	\$ 490,000
Limited Tax Bonds Series 1994 - CSO	3,565,000	-	290,000	3,275,000	300,000
Limited Tax Bonds Series 1995 - CSO	7,660,000	-	620,000	7,040,000	635,000
Limited Tax Bonds Series 1996	2,430,000	-	165,000	2,265,000	175,000
Building Authority Bonds 1997	720,000	-	40,000	680,000	45,000
Building Authority Bonds 2000	5,015,000	-	345,000	4,670,000	365,000
Limited Tax Certificates of					
Participation 2001	2,145,000	-	175,000	1,970,000	185,000
Limited Tax Bonds Series 2000	525,000	-	25,000	500,000	25,000
Limited Tax Certificates of					
Participation 2001B	1,575,000	-	130,000	1,445,000	135,000
Limited Tax Bond Series 2004 - CSO	8,486,867	586,781	390,000	8,683,648	400,000
Building Authority Refunding Bonds 2005	6,465,000	-	35,000	6,430,000	40,000
Limited Tax Bonds Series A 2007	-	2,160,000	-	2,160,000	10,000
Limited Tax Bonds Series B 2007	-	2,150,000	-	2,150,000	-
Less discounts and deferred charge on refunding	(803,816)	(26,678)	(70,000)	(760,494)	-
Installment purchase contract - Parking equipment	-	1,016,810	72,630	944,180	145,259
Other long-term obligations - Compensated absences	142,493	193,150	121,602	214,041	132,970
Total business-type activities	<u>\$ 44,590,544</u>	<u>\$ 6,080,063</u>	<u>\$ 2,814,232</u>	<u>\$ 47,856,375</u>	<u>\$ 3,083,229</u>
Downtown Development Authority -					
Installment loan agreement - Building	<u>\$ 700,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ -</u>

In November 2001, the Downtown Development Authority purchased the building located at 303 Abbott. The acquisition was financed with the proceeds of a Core Communities Fund Program economic development financing agreement in the amount of \$700,000, with the Michigan Economic Development Corporation (MEDC). Annual principal and interest payments have been deferred by the MEDC and no short-term liability has been recorded as of June 30, 2007.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above obligations (excluding compensated absences and deferred changes in refunding) are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 3,980,403	\$ 1,463,256	\$ 5,443,659	\$ 2,950,259	\$ 1,775,428	\$ 4,725,687
2009	2,284,908	1,276,710	3,561,618	3,035,259	1,692,647	4,727,906
2010	2,334,908	1,183,183	3,518,091	3,140,259	1,583,456	4,723,715
2011	2,364,908	1,086,524	3,451,432	3,260,259	1,469,144	4,729,403
2012	2,414,908	989,780	3,404,688	3,440,259	1,349,137	4,789,396
2013-2017	10,129,541	3,586,359	13,715,900	18,132,888	4,756,834	22,889,722
2018-2022	5,729,540	1,770,987	7,500,527	6,930,000	2,290,386	9,220,386
2023-2027	3,974,632	608,076	4,582,708	5,223,646	1,003,136	6,226,782
2028-2032	435,000	20,119	455,119	935,000	492,876	1,427,876
2033-2037	-	-	-	1,355,000	213,050	1,568,050
Total	<u>\$ 33,648,748</u>	<u>\$ 11,984,994</u>	<u>\$ 45,633,742</u>	<u>\$ 48,402,829</u>	<u>\$ 16,626,094</u>	<u>\$ 65,028,923</u>

Defeased Debt

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the financial statements. At June 30, 2007, approximately \$9,075,000 of bonds outstanding are considered defeased.

Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as prescription benefits provided to employees. The City has purchased commercial insurance for property loss, torts, and errors and omissions claims. All eligible employees are covered by commercial health insurance. The City is self-insured for employees' injuries (workers' compensation) and prescription claims. The City has purchased commercial stop-loss insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past 20 fiscal years.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2007

Note 8 - Risk Management (Continued)

The City estimates the liability for employee injuries (workers' compensation) and prescription claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. This liability is reported in the Insurance and Benefits Internal Service Fund and in governmental activities in the government-wide financial statements. Changes in the estimated liability for the past two fiscal years were as follows:

	2007	2006
Unpaid Claims - Beginning of year	\$ 264,644	\$ 264,867
Included claims (including claims incurred but not reported)	1,416,298	1,577,032
Claim payments	<u>(1,410,685)</u>	<u>(1,577,255)</u>
Unpaid Claims - End of year	<u>\$ 270,257</u>	<u>\$ 264,644</u>

Note 9 - Defined Benefit Pension Plan and Postretirement Benefits

Plan Description - The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1147 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees up to 6.7 percent of gross wages for various bargaining units.

Note 9 - Defined Benefit Pension Plan and Postretirement Benefits (Continued)

Annual Pension Costs - For the year ended June 30, 2007, the City's annual pension cost of \$2,980,777 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 2.5 percent per year cost-of-living adjustments for police and fire. Both (a) and (b) include an inflation assumption of 4.5 percent per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Three-year trend information is as follows:

	Fiscal Year Ended June 30		
	2005	2006	2007
Annual pension costs (APC)	\$ 2,457,259	\$ 2,585,796	\$ 2,980,777
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-
	Actuarial Valuation as of December 31		
	2004	2005	2006
Actuarial value of assets	\$ 88,846,287	\$ 91,500,724	\$ 95,551,414
Actuarial accrued liability (entry age)	116,298,037	123,228,403	131,102,892
Unfunded AAL (UAAL)	27,451,750	31,727,679	35,551,478
Funded ratio	76%	74%	73%
Covered payroll	14,809,360	15,069,393	14,612,396
UAAL as a percentage of covered payroll	185%	211%	243%

Note 9 - Defined Benefit Pension Plan and Postretirement Benefits (Continued)

Defined Contribution Pension Plan

Effective November 1, 1999, the City provides pension benefits to its various nonunion senior, nonunion junior, UAW nonsupervisory senior, UAW nonsupervisory junior, and independent employees through a defined contribution plan administered by the Michigan Municipal Employees' Retirement System (MERS). The MERS defined contribution plan provides retirement and death benefits to plan members and their beneficiaries. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by negotiation with the City's competitive bargaining units, the City contributes 7.0 percent to 10.5 percent and employees contribute up to 3.5 percent of employees' gross earnings. In accordance with these requirements, the City contributed \$663,086 during the current year, and employees contributed \$214,664.

Postretirement Benefits

The City provides health care benefits to various employees in accordance with the various bargaining units' contracts upon retirement. Currently, 186 retirees are eligible. The City includes retirees and their spouses in either its commercial health insurance or its self-insured health care plan, with no contribution required by the participant. Expenditures for postemployment health care benefits are recognized as the claims are incurred or premiums are paid; during the year, this amounted to \$1,674,150.

The City also is advance funding postretirement health care benefits on a basis which is not actuarially determined. During the year ended June 30, 2007, there were no contributions for advance funding. At June 30, 2007, the net assets available for future benefit payments totaled \$2,145,138 and have been recorded in the Insurance and Benefits Fund (an Internal Service Fund type).

Upcoming Reporting Change - The Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year beginning July 1, 2008.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2007

Note 10 - Joint Venture

The City is a member of the East Lansing - Meridian Water and Sewer Authority (the "Authority"), which provides water services to the residents of the City of East Lansing and the Charter Township of Meridian. The participating communities provide annual funding for its operations. During the current year, the City contributed \$1,128,655 for its operations and debt. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The City appoints three members to the joint venture's governing board, which then approves the annual budget. The following financial information of the joint venture is obtained from audited financial statements as of June 30, 2007. Complete financial statements for the East Lansing - Meridian Water and Sewer Authority can be obtained from the administrative offices at 410 Abbott Road, East Lansing, Michigan.

Total assets	\$ 7,866,025
Total liabilities	573,941
Total net assets	7,292,084
Total operating revenue	2,862,956
Total operating expenses	2,630,518
Decrease in net assets	147,371

Note 11 - Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2006	\$ (29,658)
Current year building permit revenue	549,284
Related expenses:	
Direct costs	685,152
Indirect costs	<u>70,628</u>
Cumulative shortfall at June 30, 2007	<u><u>\$ (236,154)</u></u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2007

Note 12 - Designated Fund Balance

Fund balances have been designated for the following purposes:

	General Fund	Special Revenue Funds	Capital Projects Funds
Appropriated for 2008 budget	\$ -	\$ 578,755	\$ -
Designated for special purposes	<u>251,219</u>	<u>438,165</u>	<u>862,134</u>
Total	<u>\$ 251,219</u>	<u>\$ 1,016,920</u>	<u>\$ 862,134</u>

Note 13 - Burcham Park Remediation

During the 1950s, the City operated a public landfill at the corner of Park Lake Road and Burcham Drive. In 1996, the site was converted to a recreation park. In 1997, soil borings revealed hazardous material in the landfill material slightly above the residential clean-up criteria and the site was deemed a "facility" under Part 201 of NREPA. The City proceeded toward "closure" of the site under Department of Environmental Quality (DEQ) monitoring. The DEQ notified the City of new closure criteria, per a draft DEQ policy, regarding acceptable methane levels. In March 2006, the City undertook remediation efforts.

As of June 30, 2007, the City has recorded expenses and a liability at the government-wide financial statement level for this obligation. The total estimated liability is \$779,693 (see Note 7). The City will bear the entire obligation of this pollution remediation.

The estimated liability is subject to changes due to future price increases or reductions, changes in the real estate market, technology, and changes in applicable laws and regulations. The liability will be adjusted in the future when new information indicates changes in the future estimated outlays.

Required Supplemental Information

City of East Lansing, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Resources (Inflows)				
Property taxes and assessments	\$ 16,812,000	\$ 16,725,000	\$ 17,396,792	\$ 671,792
Licenses and permits	1,367,660	1,367,660	1,295,962	(71,698)
Intergovernmental revenue	7,227,110	7,271,845	7,366,783	94,938
Charges for services	3,527,650	3,551,600	3,647,808	96,208
Fines and forfeitures	3,673,100	3,723,100	3,119,261	(603,839)
Interest income	173,000	283,000	327,099	44,099
Other	718,015	1,073,505	929,806	(143,699)
Transfers in - Other funds	1,159,020	1,076,700	968,600	(108,100)
Contribution of drainage flow rights	-	-	698,161	698,161
Other financing sources - Fund balance	-	1,014,503	-	(1,014,503)
Total resources (inflows)	<u>\$ 34,657,555</u>	<u>\$ 36,086,913</u>	<u>\$ 35,750,272</u>	<u>\$ (336,641)</u>
Charges to Appropriations (Outflows)				
General government	\$ 8,447,775	\$ 8,695,007	\$ 8,452,715	\$ 242,292
Public safety	17,517,900	17,665,482	17,468,356	197,126
Public works - Sanitation	172,285	172,285	154,376	17,909
Public works - Highway and streets	931,525	1,059,551	1,605,659	(546,108)
Health and welfare and community development	-	116,658	96,469	20,189
Culture and recreation	1,622,610	1,623,605	1,725,516	(101,911)
Other expenditures	121,130	57,980	65,000	(7,020)
Transfer out - Other funds	5,844,330	6,696,345	6,040,098	656,247
Total charges to appropriations (outflows)	<u>\$ 34,657,555</u>	<u>\$ 36,086,913</u>	<u>\$ 35,608,189</u>	<u>\$ 478,724</u>
Fund Balance Reconciliation				
Fund Balance - Beginning of the year	\$ 2,886,329	\$ 2,886,329	\$ 4,777,544	\$ 1,891,215
Change in fund balance	-	(1,014,503)	142,083	1,156,586
Fund Balance - End of year	<u>\$ 2,886,329</u>	<u>\$ 1,871,826</u>	<u>\$ 4,919,627</u>	<u>\$ 3,047,801</u>

City of East Lansing, Michigan

Note to Required Supplemental Information Year Ended June 30, 2007

Budgetary Information - The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. All annual appropriations lapse at fiscal year end.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, all Special Revenue Funds, and the Debt Service Fund, with the following exceptions:

- a. Fund balance appropriations are reported as a resource.
- b. Transfers out to other funds are reported as a charge to appropriations.
- c. Transfers in from other funds are reported as an amount available for appropriations.

By the end of February each year, all department heads submit spending requests to the Finance Director so that a budget may be prepared. Before the first Council meeting in April, the proposed budget is submitted to the City Council for review. Public hearings are held, and a final budget is adopted no later than the second Council meeting in May. The City Council must approve any budget amendments. The General Fund and Special Revenue Funds budgets were amended by \$1,429,358 and \$1,260,847, respectively. The budget is adopted on a functional basis. Although spending estimates are produced for each line item, budgetary control is exercised at the functional level. Expenditures at this level in excess of budget appropriation are a violation of Michigan law. Encumbrances represent commitments related to unperformed contracts or purchase orders for goods or services. Encumbrances are not included as expenditures or liabilities. Unexpended appropriations lapse at year end.

Other Supplemental Information

City of East Lansing, Michigan

Nonmajor Governmental Funds

Major Streets Fund - This fund is used to account for state gasoline and weight taxes allocated to the City for the maintenance and repair of approximately 24 miles of major streets. Also recorded in this fund are expenditures for the repair and maintenance of eight miles of state highway trunklines, namely Michigan Avenue, Grand River Avenue, and Saginaw Street, which are reimbursed under contract from the State.

Local Streets Fund - This fund is used to account for state gasoline and weight taxes allocated to the City for the maintenance and repair of approximately 61 miles of local streets. This fund also receives contributions from the Major Street Fund and the General Fund to help maintain the local streets.

Library Fund - This fund is used to account for the activities of the City's library. Revenue consists primarily of contributions from the General Fund as well as library book fines, an allocation of county penal fines, state aid to libraries, and miscellaneous gifts and bequests.

Senior Fund - This fund is used to account for the activities of the East Lansing Seniors Program. The Seniors Program provides recreational classes, tax assistance, small-appliance repair, travel opportunities, and other activities for seniors.

Community Development Block Grant Fund (CDBG) - This fund is a series of funds, each of which records an annual grant from the U.S. Department of Housing and Urban Development. These grants begin July of each year and may continue until the entire grant is expended. The grant monies are expended in accordance with federal guidelines to improve the quality of the City's housing stock and to physically improve neighborhoods in qualifying target areas.

Parks and Recreation Fund - This fund is used to account for the operating costs and administrative costs of the Hannah Community Center, the Aquatic Center, and various parks and recreation facilities.

Solid Waste Management Fund - This fund is used to account for the solid waste removal program of the City including curbside residential trash collection, recycling services, and landfill costs. A solid waste millage is levied and trash bag and refuse sticker fees are charged.

Art Festival Fund - These funds are used to account for the East Lansing Arts Festival. Revenue consists primarily of receipts from sponsors and fees.

Debt Service Fund - The Debt Service Fund is used to account for the annual payment of principal, interest, and expenses in connection with certain long-term debt other than debt payable from the operations of an Enterprise Fund.

Capital Projects Fund Parks - This fund is used to account for the Northern Tier Trail, Soccer Complex amenities, and various other parks projects.

City of East Lansing, Michigan

	Special Revenue Funds				
	Major Streets	Local Streets	Library Fund	Senior Fund	CDBG Fund
Assets					
Cash and investments	\$ 977,916	\$ -	\$ 178,327	\$ 58,807	\$ -
Receivables - Net	4,697	2,360	609	-	-
Due from other governmental units	322,845	98,402	-	-	69,590
Assets available for sale	-	-	-	-	-
Inventories and prepaids	-	-	-	-	-
Total assets	<u>\$ 1,305,458</u>	<u>\$ 100,762</u>	<u>\$ 178,936</u>	<u>\$ 58,807</u>	<u>\$ 69,590</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 124,789	\$ 23,387	\$ 41,715	\$ 2,739	\$ 69,590
Accrued and other liabilities	-	-	39,757	4,857	-
Deferred revenue	-	-	-	-	-
Total liabilities	124,789	23,387	81,472	7,596	69,590
Fund Balances					
Reserved for:					
Encumbrances	310,241	-	-	-	-
Assets available for sale	-	-	-	-	-
Inventories and prepaids	-	-	-	-	-
Solid waste operations	-	-	-	-	-
Unreserved:					
Designated	551,255	-	81,600	-	-
Undesignated	319,173	77,375	15,864	51,211	-
Total fund balances	1,180,669	77,375	97,464	51,211	-
Total liabilities and fund balances	<u>\$ 1,305,458</u>	<u>\$ 100,762</u>	<u>\$ 178,936</u>	<u>\$ 58,807</u>	<u>\$ 69,590</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007**

Parks and Recreation Fund	Solid Waste Management Fund	Art Festival Fund	Debt Service Fund	Capital Projects Fund Parks	Total Nonmajor Governmental Funds
\$ 607,502	\$ 352,763	\$ 3,400	\$ 43,172	\$ 462,711	\$ 2,684,598
9,547	4,551	-	-	23,780	45,544
-	-	-	-	9,591	500,428
-	492,300	-	-	-	492,300
-	25,876	-	-	-	25,876
<u>\$ 617,049</u>	<u>\$ 875,490</u>	<u>\$ 3,400</u>	<u>\$ 43,172</u>	<u>\$ 496,082</u>	<u>\$ 3,748,746</u>
\$ 96,861	\$ 14,549	\$ 2,727	\$ -	\$ 71,568	\$ 447,925
88,997	2,077	161	-	-	135,849
-	-	-	-	9,591	9,591
185,858	16,626	2,888	-	81,159	593,365
9,180	-	-	-	10,000	329,421
-	492,300	-	-	-	492,300
-	25,876	-	-	-	25,876
-	340,688	-	-	-	340,688
384,065	-	-	-	404,923	1,421,843
37,946	-	512	43,172	-	545,253
431,191	858,864	512	43,172	414,923	3,155,381
<u>\$ 617,049</u>	<u>\$ 875,490</u>	<u>\$ 3,400</u>	<u>\$ 43,172</u>	<u>\$ 496,082</u>	<u>\$ 3,748,746</u>

City of East Lansing, Michigan

	Special Revenue Funds				
	Major Streets	Local Streets	Library Fund	Senior Fund	CDBG Fund
Revenue					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	616,938
State sources	2,094,225	619,221	30,693	-	-
Intergovernmental revenue	115,513	-	144,749	-	-
Charges for services	-	-	64,611	48,211	14,207
Fines and forfeitures	-	-	34,768	-	-
Interest and rentals	36,538	-	7,356	1,918	-
Other	96,158	15,820	94,101	33,779	-
Total revenue	2,342,434	635,041	376,278	83,908	631,145
Expenditures					
Culture and recreation	-	-	1,514,093	212,810	-
Community development	-	-	-	-	74,089
Public works:					
Sanitation	-	-	-	-	-
Highways and streets	2,281,154	1,350,440	-	-	-
Capital outlay	-	-	250,922	122	557,056
Debt service	-	-	-	-	-
Total expenditures	2,281,154	1,350,440	1,765,015	212,932	631,145
Excess of Revenue Over (Under)					
Expenditures	61,280	(715,399)	(1,388,737)	(129,024)	-
Other Financing Sources (Uses)					
Transfers in	-	650,000	1,491,290	145,725	-
Transfers out	(650,000)	-	(174,152)	-	-
Total other financing sources (uses)	(650,000)	650,000	1,317,138	145,725	-
Change in Fund Balances	(588,720)	(65,399)	(71,599)	16,701	-
Fund Balances - Beginning of year	1,769,389	142,774	169,063	34,510	-
Fund Balances - End of year	<u>\$ 1,180,669</u>	<u>\$ 77,375</u>	<u>\$ 97,464</u>	<u>\$ 51,211</u>	<u>\$ -</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2007

Parks and Recreation Fund	Solid Waste Management Fund	Art Festival Fund	Debt Service Fund	Capital Projects Fund Parks	Total Nonmajor Governmental Funds
\$ -	\$ 1,342,171	\$ -	\$ -	\$ -	\$ 1,342,171
10,587	-	-	-	-	627,525
86,056	-	-	-	82,809	2,913,004
-	-	-	312,328	-	572,590
2,268,660	253,260	16,136	-	-	2,665,085
-	-	-	-	-	34,768
222,496	33,542	53,379	439	-	355,668
70,581	2,215	67,530	-	42,220	422,404
2,658,380	1,631,188	137,045	312,767	125,029	8,933,215
3,472,971	-	137,239	-	-	5,337,113
-	-	-	-	-	74,089
-	1,512,025	-	-	-	1,512,025
-	-	-	-	-	3,631,594
57,399	159,971	-	-	564,459	1,589,929
-	-	-	2,748,714	-	2,748,714
3,530,370	1,671,996	137,239	2,748,714	564,459	14,893,464
(871,990)	(40,808)	(194)	(2,435,947)	(439,430)	(5,960,249)
1,249,185	-	-	2,474,230	785,820	6,796,250
(346,000)	-	-	-	-	(1,170,152)
903,185	-	-	2,474,230	785,820	5,626,098
31,195	(40,808)	(194)	38,283	346,390	(334,151)
399,996	899,672	706	4,889	68,533	3,489,532
\$ 431,191	\$ 858,864	\$ 512	\$ 43,172	\$ 414,923	\$ 3,155,381

City of East Lansing, Michigan

Other Supplemental Information Budgetary Comparison Schedule Major Streets Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Intergovernmental revenue	\$ 2,167,125	\$ 2,167,125	\$ 2,209,738	\$ 42,613
Interest income	14,950	14,950	36,538	21,588
Other	-	-	96,158	96,158
Other - Appropriated from fund balance	202,575	919,866	-	(919,866)
Total resources (inflows)	<u>\$ 2,384,650</u>	<u>\$ 3,101,941</u>	<u>\$ 2,342,434</u>	<u>\$ (759,507)</u>
Charges to Appropriations (Outflows)				
Highways and streets	\$ 1,647,030	\$ 2,364,321	\$ 2,193,534	\$ 170,787
Transfer out - Other fund	737,620	737,620	737,620	-
Total charges to appropriations (outflows)	<u>\$ 2,384,650</u>	<u>\$ 3,101,941</u>	<u>\$ 2,931,154</u>	<u>\$ 170,787</u>
Fund Balance Reconciliation				
Fund Balance - Beginning of year	\$ 1,019,511	\$ 1,019,511	\$ 1,769,389	\$ 749,878
Change in fund balance	(202,575)	(919,866)	(588,720)	331,146
Fund Balance - End of year	<u>\$ 816,936</u>	<u>\$ 99,645</u>	<u>\$ 1,180,669</u>	<u>\$ 1,081,024</u>

City of East Lansing, Michigan

Other Supplemental Information Budgetary Comparison Schedule (Continued) Local Streets Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Intergovernmental revenue	\$ 594,115	\$ 594,115	\$ 619,221	\$ 25,106
Interest income	2,700	2,700	-	(2,700)
Other	15,000	15,000	15,820	820
Other - Appropriated from fund balance	117,305	120,398	-	(120,398)
Transfers in - Other funds	650,000	650,000	650,000	-
Total resources (inflows)	<u>\$ 1,379,120</u>	<u>\$ 1,382,213</u>	<u>\$ 1,285,041</u>	<u>\$ (97,172)</u>
Charges to Appropriations (Outflows) -				
Highways and streets	<u>\$ 1,379,120</u>	<u>\$ 1,382,213</u>	<u>\$ 1,350,440</u>	<u>\$ 31,773</u>
Fund Balance Reconciliation				
Fund Balance - Beginning of year	\$ 314,598	\$ 314,598	\$ 142,774	\$ (171,824)
Change in fund balance	<u>(117,305)</u>	<u>(120,398)</u>	<u>(65,399)</u>	<u>54,999</u>
Fund Balance - End of year	<u>\$ 197,293</u>	<u>\$ 194,200</u>	<u>\$ 77,375</u>	<u>\$ (116,825)</u>

City of East Lansing, Michigan

Other Supplemental Information Budgetary Comparison Schedule (Continued) Library Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Intergovernmental revenue	\$ 206,655	\$ 188,400	\$ 175,442	\$ (12,958)
Charges for services	60,000	59,355	64,611	5,256
Fines and fees	40,000	40,000	34,768	(5,232)
Interest income	2,150	2,150	7,356	5,206
Other revenues	58,850	77,750	94,101	16,351
Transfer in - Other funds	1,491,290	1,491,290	1,491,290	-
Other - Appropriated from fund balance	44,400	60,630	-	(60,630)
Total resources (inflows)	<u>\$ 1,858,945</u>	<u>\$ 1,858,945</u>	<u>\$ 1,867,568</u>	<u>\$ 8,623</u>
Charges to Appropriations (Outflows)				
Culture and recreation	\$ 1,729,190	\$ 1,745,420	\$ 1,765,015	\$ (19,595)
Contribution to Debt Service Fund - Transfer out - Other funds	174,155	174,155	174,152	3
Total charges to appropriations (outflows)	<u>\$ 1,903,345</u>	<u>\$ 1,919,575</u>	<u>\$ 1,939,167</u>	<u>\$ (19,592)</u>
Fund Balance Reconciliation				
Fund Balance - Beginning of year	\$ 94,517	\$ 94,517	\$ 169,063	\$ 74,546
Change in fund balance	(44,400)	(60,630)	(71,599)	(10,969)
Fund Balance - End of year	<u>\$ 50,117</u>	<u>\$ 33,887</u>	<u>\$ 97,464</u>	<u>\$ 63,577</u>

City of East Lansing, Michigan

Other Supplemental Information Budgetary Comparison Schedule (Continued) Senior Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Charges for services	\$ 44,400	\$ 44,400	\$ 48,211	\$ 3,811
Interest income	640	640	1,918	1,278
Other revenues	32,750	32,750	33,779	1,029
Transfers in - Other funds	145,725	145,725	145,725	-
Total resources (inflows)	<u>\$ 223,515</u>	<u>\$ 223,515</u>	<u>\$ 229,633</u>	<u>\$ 6,118</u>
Charges to Appropriations (Outflows) -				
Culture and recreation	<u>\$ 223,515</u>	<u>\$ 223,515</u>	<u>\$ 212,932</u>	<u>\$ 10,583</u>
Fund Balance Reconciliation				
Fund Balance - Beginning of year	\$ 39,948	\$ 39,948	\$ 34,510	\$ (5,438)
Change in fund balance	<u>-</u>	<u>-</u>	<u>16,701</u>	<u>16,701</u>
Fund Balance - End of year	<u>\$ 39,948</u>	<u>\$ 39,948</u>	<u>\$ 51,211</u>	<u>\$ 11,263</u>

City of East Lansing, Michigan

Other Supplemental Information Budgetary Comparison Schedule (Continued) Parks and Recreation Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Grants	\$ 110,525	\$ 115,525	\$ 96,643	\$ (18,882)
Charges for services	2,353,580	2,089,530	2,268,660	179,130
Interest and rent	-	213,750	222,496	8,746
Other revenues	-	45,300	70,581	25,281
Other - Appropriated from fund balance	-	10,233	-	(10,233)
Transfers in - Other funds	1,249,185	1,249,185	1,249,185	-
Total resources (inflows)	<u>\$ 3,713,290</u>	<u>\$ 3,723,523</u>	<u>\$ 3,907,565</u>	<u>\$ 184,042</u>
Charges to Appropriations (Outflows)				
Culture and recreation	\$ 3,713,290	\$ 3,723,523	\$ 3,530,370	\$ 193,153
Transfer out - Other funds	-	-	346,000	(346,000)
Total charges to appropriations (outflows)	<u>\$ 3,713,290</u>	<u>\$ 3,723,523</u>	<u>\$ 3,876,370</u>	<u>\$ (152,847)</u>
Fund Balance Reconciliation				
Fund Balance - Beginning of year	\$ 191,552	\$ 191,552	\$ 399,996	\$ 208,444
Change in fund balance	-	(10,233)	31,195	41,428
Fund Balance - End of year	<u>\$ 191,552</u>	<u>\$ 181,319</u>	<u>\$ 431,191</u>	<u>\$ 249,872</u>

City of East Lansing, Michigan

Other Supplemental Information Budgetary Comparison Schedule (Continued) Solid Waste Management Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Taxes	\$ 1,281,740	\$ 1,281,740	\$ 1,342,171	\$ 60,431
Charges for services	258,250	258,250	253,260	(4,990)
Interest income	17,500	17,500	33,542	16,042
Other	-	-	2,215	2,215
Other - Appropriated from fund balance	51,080	565,080	-	(565,080)
Total resources (inflows)	<u>\$ 1,608,570</u>	<u>\$ 2,122,570</u>	<u>\$ 1,631,188</u>	<u>\$ (491,382)</u>
Charges to Appropriations (Outflows) -				
Public works - Sanitation	<u>\$ 1,608,570</u>	<u>\$ 2,122,570</u>	<u>\$ 1,671,996</u>	<u>\$ 450,574</u>
Fund Balance Reconciliation				
Fund Balance - Beginning of year	\$ 778,359	\$ 778,359	\$ 899,672	\$ 121,313
Change in fund balance	(51,080)	(565,080)	(40,808)	524,272
Fund Balance - End of year	<u>\$ 727,279</u>	<u>\$ 213,279</u>	<u>\$ 858,864</u>	<u>\$ 645,585</u>

City of East Lansing, Michigan

Other Supplemental Information Budgetary Comparison Schedule (Continued) Art Festival Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Charges for services	\$ 9,310	\$ 18,810	\$ 16,136	\$ (2,674)
Interest and rent	-	56,120	53,379	(2,741)
Miscellaneous revenue	141,900	76,280	67,530	(8,750)
Total resources (inflows)	<u>\$ 151,210</u>	<u>\$ 151,210</u>	<u>\$ 137,045</u>	<u>\$ (14,165)</u>
Charges to Appropriations (Outflows) -				
Culture and recreation	<u>\$ 151,210</u>	<u>\$ 151,210</u>	<u>\$ 137,239</u>	<u>\$ 13,971</u>
Fund Balance Reconciliation				
Fund Balance - Beginning of year	\$ 15,054	\$ 15,054	\$ 706	\$ (14,348)
Change in fund balance	-	-	(194)	(194)
Fund Balance - End of year	<u>\$ 15,054</u>	<u>\$ 15,054</u>	<u>\$ 512</u>	<u>\$ (14,542)</u>

City of East Lansing, Michigan

Other Supplemental Information Budgetary Comparison Schedule (Continued) Debt Service Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Intergovernmental revenue	\$ -	\$ 312,355	\$ 312,328	\$ (27)
Interest revenue	-	-	439	439
Transfer from other funds	2,754,450	2,442,095	2,474,230	32,135
Total resources (inflows)	<u>\$ 2,754,450</u>	<u>\$ 2,754,450</u>	<u>\$ 2,786,997</u>	<u>\$ 32,547</u>
Charges to Appropriations (Outflows) -				
Debt service	<u>\$ 2,754,450</u>	<u>\$ 2,754,450</u>	<u>\$ 2,748,714</u>	<u>\$ 5,736</u>
Fund Balance Reconciliation				
Fund Balance - Beginning of year	\$ 4,607	\$ 4,607	\$ 4,889	\$ 282
Change in fund balance	-	-	38,283	38,283
Fund Balance - End of year	<u>\$ 4,607</u>	<u>\$ 4,607</u>	<u>\$ 43,172</u>	<u>\$ 38,565</u>

City of East Lansing, Michigan

Internal Service Funds

Internal Service Funds account for financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost-reimbursement basis. The City's Internal Service Funds consist of the following:

Insurance and Benefits Fund - This fund is used to account for the charges to City departments associated with the City's self-insured workers' compensation and prescription benefits program and funding of retiree health care benefits.

Garage Fund - This fund is used to account for the operation and maintenance of the motor vehicle fleet and equipment used by the various City departments. Rentals for equipment used are paid to this fund by the various City departments.

Computer Service Fund - This fund is used to account for the operation and maintenance of computers and equipment used by the various City departments. Rentals for equipment used are paid to this fund by the various City departments.

City of East Lansing, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2007

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Total
Assets				
Current assets:				
Cash and investments	\$ 3,121,650	\$ 400,020	\$ 910,753	\$ 4,432,423
Receivables:				
Special assessments	-	261,647	-	261,647
Customers	-	30,852	-	30,852
Accrued interest	16,091	1,406	3,209	20,706
Other	29,531	-	-	29,531
Inventories	-	314,583	-	314,583
Total current assets	3,167,272	1,008,508	913,962	5,089,742
Noncurrent assets - Capital assets	-	13,153,109	67,403	13,220,512
Total assets	3,167,272	14,161,617	981,365	18,310,254
Liabilities				
Current liabilities:				
Accounts payable	59,048	20,845	101,878	181,771
Accrued and other liabilities	224,635	238,755	9,949	473,339
Claims payable	270,257	-	-	270,257
Current portion of long-term debt:				
Compensated absences	-	242,955	14,197	257,152
Bonds payable	-	300,000	-	300,000
Total current liabilities	553,940	802,555	126,024	1,482,519
Noncurrent liabilities - Net of current portion:				
Compensated absences	-	221,198	23,355	244,553
Bonds payable	-	8,291,344	-	8,291,344
Total liabilities	553,940	9,315,097	149,379	10,018,416
Net Assets				
Invested in capital assets - Net of related debt	-	4,561,765	67,403	4,629,168
Unrestricted	2,613,332	284,755	764,583	3,662,670
Total net assets	<u>\$ 2,613,332</u>	<u>\$ 4,846,520</u>	<u>\$ 831,986</u>	<u>\$ 8,291,838</u>

City of East Lansing, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2007

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Total
Operating Revenue				
User service charges	\$ 5,395,217	\$ 152,027	\$ 800,901	\$ 6,348,145
Equipment and building rental	-	2,543,483	-	2,543,483
Special assessment	-	20,733	-	20,733
Miscellaneous revenue	-	81,282	-	81,282
Total operating revenue	5,395,217	2,797,525	800,901	8,993,643
Operating Expenses				
Operating expenses	5,525,876	1,655,479	852,662	8,034,017
Depreciation	-	928,549	90,839	1,019,388
Total operating expenses	5,525,876	2,584,028	943,501	9,053,405
Operating Income (Loss)	(130,659)	213,497	(142,600)	(59,762)
Nonoperating Income (Expense)				
Interest income	162,549	9,914	30,109	202,572
Interest expense	-	(365,248)	-	(365,248)
Total nonoperating income (expense)	162,549	(355,334)	30,109	(162,676)
Net Income (Loss)	31,890	(141,837)	(112,491)	(222,438)
Transfers In	300,000	-	-	300,000
Capital Contributions	-	94,360	-	94,360
Change in Net Assets	331,890	(47,477)	(112,491)	171,922
Net Assets - Beginning of year	2,281,442	4,893,997	944,477	8,119,916
Net Assets - End of year	<u>\$ 2,613,332</u>	<u>\$ 4,846,520</u>	<u>\$ 831,986</u>	<u>\$ 8,291,838</u>

City of East Lansing, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2007

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 5,387,549	\$ 2,867,537	\$ 800,901	\$ 9,055,987
Payments to suppliers	-	(1,077,935)	(426,915)	(1,504,850)
Claims paid	(5,309,597)	-	-	(5,309,597)
Payments to employees	-	(617,072)	(341,031)	(958,103)
Net cash provided by operating activities	77,952	1,172,530	32,955	1,283,437
Cash Flows from Capital and Related Financing Activities				
Principal and interest paid on long-term debt	-	(660,581)	-	(660,581)
Transfers from other funds	300,000	-	-	300,000
Purchase of capital assets	-	(538,960)	(37,555)	(576,515)
Net cash provided by (used in) capital and related financing activities	300,000	(1,199,541)	(37,555)	(937,096)
Cash Flows from Investing Activities -				
Interest received on investments	156,907	9,561	30,403	196,871
Net Increase (Decrease) in Cash and Cash Equivalents	534,859	(17,450)	25,803	543,212
Cash and Cash Equivalents - July 1, 2006	2,586,791	417,470	884,950	3,889,211
Cash and Cash Equivalents - June 30, 2007	\$ 3,121,650	\$ 400,020	\$ 910,753	\$ 4,432,423
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ (130,659)	\$ 213,497	\$ (142,600)	\$ (59,762)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	-	928,549	90,839	1,019,388
Changes in assets and liabilities:				
Receivables	(7,668)	70,012	-	62,344
Inventories	-	4,276	-	4,276
Accounts payable	(13,969)	(40,195)	84,896	30,732
Claims payable	5,613	-	-	5,613
Accrued wages	-	(21,850)	(1,368)	(23,218)
Other liabilities	224,635	18,241	1,188	244,064
Net cash provided by operating activities	\$ 77,952	\$ 1,172,530	\$ 32,955	\$ 1,283,437

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2007, capital assets of \$94,360 were contributed to the Garage Fund from the General Fund.

Agency Fund

City of East Lansing, Michigan

Other Supplemental Information Statement of Changes in Assets and Liabilities Agency Fund Year Ended June 30, 2007

	Beginning of Year	Additions	Reductions	End of Year
Assets				
Cash	\$ 902,315	\$ 38,837,682	\$ 38,654,479	\$ 1,085,518
Investments	869	-	869	-
Receivables - Net	160,602	39,395,839	39,418,858	137,583
Total assets	<u>\$ 1,063,786</u>	<u>\$ 78,233,521</u>	<u>\$ 78,074,206</u>	<u>\$ 1,223,101</u>
Liabilities				
Accounts payable	\$ 12,046	\$ 768,768	\$ 775,841	\$ 4,973
Due to other governmental units	288,325	46,703,343	46,733,158	258,510
Accrued and other liabilities	763,415	1,630,876	1,434,673	959,618
Total liabilities	<u>\$ 1,063,786</u>	<u>\$ 49,102,987</u>	<u>\$ 48,943,672</u>	<u>\$ 1,223,101</u>

Component Units

City of East Lansing, Michigan

Other Supplemental Information Component Units - Fund-based Statements Downtown Development Authority Year Ended June 30, 2007

	Modified Accrual	Full Accrual Adjustments	Net Assets - Full Accrual
Balance Sheet/Statement of Net Assets			
Assets			
Cash and investments	\$ 39,281	\$ -	\$ 39,281
Receivables	2,237	-	2,237
Capital assets	-	623,087	623,087
Total assets	<u>\$ 41,518</u>	623,087	664,605
Liabilities			
Accounts payable	\$ 23,360	-	23,360
Long-term debt due in more than one year	-	700,000	700,000
Total liabilities	23,360	700,000	723,360
Fund Balance	18,158	(18,158)	-
Total liabilities and fund balance	<u>\$ 41,518</u>		
Net Assets (Deficit)			
Invested in capital assets - Net of related debt		(76,913)	(76,913)
Unrestricted		18,158	18,158
Total net assets (deficit)		<u>\$ (58,755)</u>	<u>\$ (58,755)</u>

Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities

	Modified Accrual	Full Accrual Adjustments	Net Assets - Full Accrual
Revenue			
Property tax capture	\$ 1,092,571	\$ -	\$ 1,092,571
Charges for services	25,175	(350)	24,825
Interest income	10,040	-	10,040
Total revenue	1,127,786	(350)	1,127,436
Expenditures			
Community and economic development	1,153,715	-	1,153,715
Depreciation	-	13,849	13,849
Total expenditures	1,153,715	13,849	1,167,564
Excess of Expenditures Over Revenue	(25,929)	(14,199)	(40,128)
Fund Balance/Net Assets (Deficit)			
Beginning of year	44,087	(62,714)	(18,627)
End of year	<u>\$ 18,158</u>	<u>\$ (76,913)</u>	<u>\$ (58,755)</u>

City of East Lansing, Michigan

Other Supplemental Information Component Units - Fund-based Statements Downtown Management Board Year Ended June 30, 2007

	Modified Accrual	Full Accrual Adjustments	Net Assets - Full Accrual
Balance Sheet/Statement of Net Assets			
Assets			
Cash and investments	\$ 16,327	\$ -	\$ 16,327
Receivables	46,157	-	46,157
Total assets	<u>\$ 62,484</u>	-	62,484
Liabilities			
Accounts payable	\$ 1,380	-	1,380
Deferred revenue	46,157	(46,157)	-
Total liabilities	47,537	(46,157)	1,380
Fund Balance	<u>14,947</u>	<u>(14,947)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 62,484</u>		
Net Assets - Unrestricted		<u>\$ 61,104</u>	<u>\$ 61,104</u>

Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities

	Modified Accrual	Full Accrual Adjustments	Net Assets - Full Accrual
Revenue			
General assessment	\$ 46,850	\$ (47,543)	\$ (693)
Interest income	815	-	815
Other revenue	4,490	-	4,490
Total revenue	52,155	(47,543)	4,612
Expenditures - Community and economic development	<u>58,771</u>	-	<u>58,771</u>
Excess of Expenditures Over Revenue	(6,616)	(47,543)	(54,159)
Fund Balance/Net Assets			
Beginning of year	<u>21,563</u>	<u>93,700</u>	<u>115,263</u>
End of year	<u>\$ 14,947</u>	<u>\$ 46,157</u>	<u>\$ 61,104</u>

City of East Lansing, Michigan

Other Supplemental Information Component Units - Fund-based Statements Brownfield Redevelopment Authority Year Ended June 30, 2007

	Modified Accrual	Full Accrual Adjustments	Net Assets - Full Accrual
Balance Sheet/Statement of Net Assets			
Assets - Cash and investments	<u>\$ 14,464</u>	-	14,464
Liabilities	\$ -	-	-
Fund Balance	<u>14,464</u>	<u>(14,464)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 14,464</u>		
Net Assets - Unrestricted		<u>\$ 14,464</u>	<u>\$ 14,464</u>

Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities

	Modified Accrual	Full Accrual Adjustments	Net Assets - Full Accrual
Revenue			
Property tax capture	\$ 93,903	\$ -	\$ 93,903
Federal sources	1,041	-	1,041
Interest income	902	-	902
Charges for services	<u>131,000</u>	<u>(31,000)</u>	<u>100,000</u>
Total revenue	226,846	(31,000)	195,846
Expenditures - Community and economic development	<u>220,522</u>	<u>-</u>	<u>220,522</u>
Excess of Revenue Over (Under) Expenditures	6,324	(31,000)	(24,676)
Fund Balance/Net Assets			
Beginning of year	<u>8,140</u>	<u>31,000</u>	<u>39,140</u>
End of year	<u>\$ 14,464</u>	<u>\$ -</u>	<u>\$ 14,464</u>

City of East Lansing, Michigan

Other Supplemental Information Component Units - Fund-based Statements Economic Development Corporation Year Ended June 30, 2007

	Modified Accrual	Full Accrual Adjustments	Net Assets - Full Accrual
Balance Sheet/Statement of Net Assets			
Assets - Cash and investments	<u>\$ 16,954</u>	-	16,954
Liabilities	<u>\$ -</u>	-	-
Fund Balance	<u>16,954</u>	<u>(16,954)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 16,954</u>		
Net Assets - Unrestricted		<u>\$ 16,954</u>	<u>\$ 16,954</u>

Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities

	Modified Accrual	Full Accrual Adjustments	Net Assets - Full Accrual
Revenue - Charges for services	\$ 17,563	\$ -	\$ 17,563
Expenditures - Community and economic development	<u>609</u>	<u>-</u>	<u>609</u>
Excess of Revenue Over Expenditures	16,954	-	16,954
Fund Balance/Net Assets			
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 16,954</u>	<u>\$ -</u>	<u>\$ 16,954</u>

Statistical Section

Statistical Section

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health.

The statistical section is organized into the following main categories:

- Financial trends
- Revenue capacity
- Debt capacity
- Demographic and economic information
- Operating information

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

City of East Lansing, Michigan

Financial Trend Information Net Assets by Component

	June 30				
	2003	2004	2005	2006	2007
Governmental Activities					
Invested in capital assets -					
Net of related debt	\$ 33,185,922	\$ 33,261,393	\$ 36,792,399	\$ 37,990,389	\$ 36,496,965
Restricted	2,532,583	2,766,897	3,321,941	3,353,582	6,300,422
Unrestricted	12,314,511	11,572,860	8,847,966	8,324,620	7,372,850
Total net assets	<u>\$ 48,033,016</u>	<u>\$ 47,601,150</u>	<u>\$ 48,962,306</u>	<u>\$ 49,668,591</u>	<u>\$ 50,170,237</u>
Business-type Activities					
Invested in capital assets -					
Net of related debt	\$ 25,116,528	\$ 25,228,170	\$ 25,303,824	\$ 27,566,896	\$ 29,596,773
Restricted	-	-	-	-	-
Unrestricted	3,830,474	3,996,148	3,947,305	3,971,539	4,557,093
Total net assets	<u>\$ 28,947,002</u>	<u>\$ 29,224,318</u>	<u>\$ 29,251,129</u>	<u>\$ 31,538,435</u>	<u>\$ 34,153,866</u>
Primary Government in Total					
Invested in capital assets -					
Net of related debt	\$ 58,302,450	\$ 58,489,563	\$ 62,096,223	\$ 65,557,285	\$ 66,093,738
Restricted	2,532,583	2,766,897	3,321,941	3,353,582	6,300,422
Unrestricted	16,144,985	15,569,008	12,795,271	12,296,159	11,929,943
Total net assets	<u>\$ 76,980,018</u>	<u>\$ 76,825,468</u>	<u>\$ 78,213,435</u>	<u>\$ 81,207,026</u>	<u>\$ 84,324,103</u>

See independent auditor's disclaimer on the statistical section information.

City of East Lansing, Michigan

Financial Trend Information Changes in Governmental Net Assets

	Fiscal Year Ended June 30				
	2003	2004	2005	2006	2007
Expenses					
General government	\$ 7,879,986	\$ 7,537,175	\$ 5,736,504	\$ 7,703,683	\$ 8,381,585
Public safety	15,093,059	15,222,360	16,108,792	16,599,383	17,533,818
Public works	6,601,695	6,848,258	6,182,784	6,430,119	7,412,733
Health and welfare	225,145	164,365	186,990	83,966	96,469
Community and economic development	836,780	963,337	679,381	941,254	2,428,516
Culture and recreation	7,599,572	7,104,655	7,040,415	7,533,706	7,946,825
Interest on long-term debt	1,250,034	1,128,930	1,150,612	933,333	964,285
Total governmental activities expenses	39,486,271	38,969,080	37,085,478	40,225,444	44,764,231
Program Revenues					
Charges for services:					
General government	4,719,785	5,145,389	5,221,512	5,425,127	5,429,822
Public safety	3,816,463	4,211,383	4,364,116	2,906,264	2,629,564
Public works	1,079,861	853,171	535,227	315,632	557,009
Community and economic development	-	73,064	11,453	-	-
Culture and recreation	2,748,654	2,286,080	2,491,114	2,727,366	2,969,049
Total charges for services	12,364,763	12,569,087	12,623,422	11,374,389	11,585,444
Operating grants and contributions	3,599,603	4,027,903	3,964,146	5,874,043	6,783,120
Capital grants and contributions	13,200	-	4,000	460,055	3,033,485
Total program revenue	15,977,566	16,596,990	16,591,568	17,708,487	21,402,049
Net Expense	(23,508,705)	(22,372,090)	(20,493,910)	(22,516,957)	(23,362,182)
General revenues:					
Property taxes	13,619,149	14,856,993	15,592,401	16,414,048	17,069,798
Unrestricted state-shared revenues	6,226,654	6,134,877	5,895,886	5,783,245	5,729,807
Unrestricted investment earnings	281,156	144,219	259,165	417,271	501,263
Unrestricted franchise fees	340,924	318,825	372,660	431,921	421,492
Miscellaneous	154,630	485,311	163,594	176,757	141,468
Total general revenues	20,622,513	21,940,225	22,283,706	23,223,242	23,863,828
Transfers	-	-	(428,640)	-	-
Change in Net Assets	\$ (2,886,192)	\$ (431,865)	\$ 1,361,156	\$ 706,285	\$ 501,646

See independent auditor's disclaimer on the statistical section information.

City of East Lansing, Michigan

Financial Trend Information Changes in Business-type Net Assets

	Fiscal Year Ended June 30				
	2003	2004	2005	2006	2007
Operating Revenue					
Parking revenue	\$ 2,843,433	\$ 3,070,438	\$ 3,304,790	\$ 3,609,781	\$ 3,572,973
Water user service charges	2,613,493	2,644,141	2,628,443	2,693,126	2,719,140
Sewage user service charges	6,293,905	6,542,972	6,760,789	7,094,603	7,376,993
Equipment and building rental	96,363	62,951	49,067	47,991	71,278
Total operating revenue	11,847,194	12,320,502	12,743,089	13,445,501	13,740,384
Operating Expenses					
Cost of water produced/purchased	1,777,626	2,168,387	1,638,161	1,935,907	2,083,754
Cost of sewage treatment	4,302,563	4,286,004	4,825,762	4,489,691	5,028,265
Other operation and maintenance costs	370,207	417,282	514,149	502,772	496,527
General and administrative costs	1,927,282	2,107,457	2,244,069	2,183,862	2,244,740
Depreciation	2,289,648	2,308,547	2,419,126	2,459,031	2,638,697
Total operating expenses	10,667,326	11,287,677	11,641,267	11,571,263	12,491,983
Operating Income	1,179,868	1,032,825	1,101,822	1,874,238	1,248,401
Nonoperating Revenue (Expenses)					
Investment income	13,593	1,832	325	30,481	42,114
Loss from joint venture	(15,932)	(219,429)	(510,797)	(236,255)	(57,576)
Interest expense	(1,616,896)	(1,543,126)	(1,420,379)	(1,398,148)	(1,350,323)
Contribution from DDA	508,746	518,928	427,200	431,310	505,435
Total nonoperating revenue (expenses)	(1,110,489)	(1,241,795)	(1,503,651)	(1,172,612)	(860,350)
Income (Loss) - Before contributions and transfers	69,379	(208,970)	(401,829)	701,626	388,051
Capital Contributions	2,178,861	486,286	-	1,585,680	2,227,380
Transfers from Other Funds	-	-	428,640	-	-
Change in Net Assets	<u>\$ 2,248,240</u>	<u>\$ 277,316</u>	<u>\$ 26,811</u>	<u>\$ 2,287,306</u>	<u>\$ 2,615,431</u>

See independent auditor's disclaimer on the statistical section information.

City of East Lansing, Michigan

	As of June 30				
	1998	1999	2000	2001	2002
General Fund:					
Reserved	\$ 83,517	\$ 140,629	\$ 482,501	\$ 337,919	\$ 205,794
Unreserved:					
Designated	393,759	368,268	326,075	357,131	306,498
Undesignated	3,452,439	3,344,958	3,141,467	2,247,206	2,460,297
Total General Fund	<u>\$ 3,929,715</u>	<u>\$ 3,853,855</u>	<u>\$ 3,950,043</u>	<u>\$ 2,942,256</u>	<u>\$ 2,972,589</u>
All other governmental funds:					
Reserved	\$ 931,275	\$ 2,004,530	\$ 1,632,245	\$ 6,042,307	\$ 3,544,071
Unreserved and designated, reported in:					
Special Revenue Funds	802,068	849,091	592,227	974,085	487,194
Capital Project Funds	2,595,611	8,888,619	8,436,444	377,198	672,777
Unreserved and undesignated, reported in:					
Special Revenue Funds	512,092	791,065	1,924,979	883,175	1,025,373
Debt Service Funds	-	-	2,715	8,702	4,300
Total all other governmental funds	<u>\$ 4,841,046</u>	<u>\$12,533,305</u>	<u>\$12,588,610</u>	<u>\$ 8,285,467</u>	<u>\$ 5,733,715</u>

See independent auditor's disclaimer on the statistical section information.

Financial Trend Information
Fund Balances, Governmental Funds

As of June 30				
2003	2004	2005	2006	2007
\$ 80,411	\$ 94,810	\$ 126,872	\$ 1,163,953	\$ 2,081,719
489,636	949,531	504,064	719,374	251,219
<u>2,302,040</u>	<u>2,441,169</u>	<u>2,476,393</u>	<u>2,894,217</u>	<u>2,586,689</u>
<u>\$ 2,872,087</u>	<u>\$ 3,485,510</u>	<u>\$ 3,107,329</u>	<u>\$ 4,777,544</u>	<u>\$ 4,919,627</u>
\$ 1,095,055	\$ 165,717	\$ 72,472	\$ 1,101,882	\$ 3,887,291
814,175	632,736	904,167	728,155	1,016,920
169,517	308,883	285,807	217,948	862,134
1,046,355	1,855,246	2,373,250	1,621,921	502,081
<u>4,336</u>	<u>4,420</u>	<u>4,607</u>	<u>4,889</u>	<u>43,172</u>
<u>\$ 3,129,438</u>	<u>\$ 2,967,002</u>	<u>\$ 3,640,303</u>	<u>\$ 3,674,795</u>	<u>\$ 6,311,598</u>

City of East Lansing, Michigan

	Year Ended June 30			
	1998	1999	2000	2001
Revenues				
Property taxes and assessments	\$ 10,294,933	\$ 10,789,097	\$ 12,036,686	\$ 12,793,751
Licenses and permits	741,471	855,409	920,376	1,196,280
Federal sources	1,003,847	1,087,882	949,303	1,213,370
State sources	9,603,476	9,681,113	10,745,874	11,749,579
Intergovernmental revenue	-	-	-	-
Charges for services	3,167,949	3,419,238	3,343,459	3,368,859
Fines and forfeitures	2,532,669	2,490,149	2,615,327	2,600,991
Interest and rentals	739,874	914,686	1,122,655	1,037,447
Other	972,354	971,360	1,101,004	1,044,963
Total revenue	29,056,573	30,208,934	32,834,684	35,005,240
Expenditures				
Current:				
General government	6,142,533	6,730,799	7,169,375	7,454,972
Public safety	11,742,031	12,825,812	13,366,575	13,610,763
Public works sanitation	1,886,092	1,937,499	1,897,261	2,414,883
Highways and streets	2,253,418	2,593,885	2,546,853	3,167,922
Health and welfare	209,080	241,911	231,804	262,631
Community and economic development	1,046,804	1,101,474	824,018	1,181,403
Culture and recreation	1,840,029	2,206,879	3,361,615	3,800,063
Capital outlay	3,654,868	4,606,559	3,462,327	8,999,497
Debt service principal	567,873	592,874	809,540	1,019,540
Debt service interest and fees	413,687	427,975	986,548	935,777
Total expenditures	29,756,415	33,265,667	34,655,916	42,847,451
Excess of Revenue Over (Under)				
Expenditures	(699,842)	(3,056,733)	(1,821,232)	(7,842,211)
Other Financing Sources (Uses)				
Proceeds from issuance of long-term debt	-	10,445,994	1,500,000	3,067,531
Debt premium or discount	-	-	-	-
Transfers in	4,511,309	4,408,515	5,504,346	7,100,499
Transfers out	(4,187,574)	(4,181,377)	(5,031,621)	(6,536,749)
Extinguishment of debt	-	-	-	-
Total other financing sources (uses)	323,735	10,673,132	1,972,725	3,631,281
Other Items	(593,500)	-	-	(1,100,000)
Net Change in Fund Balances	\$ (969,607)	\$ 7,616,399	\$ 151,493	\$ (5,310,930)

See independent auditor's disclaimer on the statistical section information.

Financial Trend Information
Changes in Fund Balances, Governmental Funds

Year Ended June 30					
2002	2003	2004	2005	2006	2007
\$ 13,190,419	\$ 14,377,476	\$ 15,590,573	\$ 16,359,310	\$ 18,018,039	\$ 18,738,963
1,049,859	1,223,177	1,479,698	1,448,979	1,627,623	1,295,962
1,466,809	955,935	1,058,683	868,134	865,341	1,119,698
11,104,122	10,172,553	9,750,241	9,452,226	9,419,196	10,094,522
-	556,915	540,402	627,741	600,971	707,982
3,741,331	6,420,967	5,983,431	6,323,623	6,494,206	7,093,228
3,003,439	2,832,721	3,208,851	3,241,979	3,339,178	3,154,029
564,147	334,624	404,557	531,267	708,359	791,478
1,406,261	923,130	1,517,781	1,052,842	1,183,505	1,422,408
35,526,387	37,797,498	39,534,217	39,906,101	42,256,418	44,418,270
6,995,713	7,205,977	7,671,669	7,841,240	7,978,518	8,220,884
13,942,073	14,492,437	14,840,403	15,849,325	16,309,024	16,967,986
2,601,796	2,129,523	2,010,726	2,151,581	2,221,569	2,520,519
3,513,858	3,015,107	3,213,219	2,711,648	3,044,212	3,631,594
273,950	225,145	164,365	186,990	103,966	96,469
1,759,197	1,121,532	953,709	645,706	401,661	1,771,493
4,802,959	6,269,712	6,547,567	6,828,618	6,748,461	7,056,343
8,093,155	3,368,228	891,663	106,434	951,954	5,757,000
986,040	1,325,000	1,615,000	1,752,036	1,888,159	1,934,218
1,064,972	1,250,034	1,174,909	1,108,763	1,070,702	844,824
44,033,713	40,402,695	39,083,230	39,182,341	40,718,226	48,801,330
(8,507,326)	(2,605,197)	450,987	723,760	1,538,192	(4,383,060)
5,190,000	-	-	-	6,450,000	7,408,161
-	-	-	-	18,620	53,785
6,125,999	5,812,065	6,908,950	5,922,575	6,259,559	7,098,515
(5,551,894)	(5,812,065)	(6,908,950)	(6,351,215)	(6,259,559)	(7,398,515)
-	-	-	-	(6,302,105)	-
5,764,105	-	-	(428,640)	166,515	7,161,946
221,802	(99,582)	-	-	-	-
<u>\$ (2,521,419)</u>	<u>\$ (2,704,779)</u>	<u>\$ 450,987</u>	<u>\$ 295,120</u>	<u>\$ 1,704,707</u>	<u>\$ 2,778,886</u>

City of East Lansing, Michigan

	1998	1999	2000	2001
Debt service as a percentage of noncapital expenditures	3.76%	3.56%	5.76%	5.78%
Capital outlay as a percentage of total expenditures	12.28%	13.85%	9.99%	21.00%

Financial Trend Information

Changes in Fund Balances, Governmental Funds (Continued)

2002	2003	2004	2005	2006	2007
5.71%	6.95%	7.31%	7.32%	7.44%	6.46%
18.38%	8.34%	2.28%	0.27%	2.34%	11.80%

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

City of East Lansing, Michigan

Tax Year	Fiscal Year Ended June 30	Taxable Value by Property Type				
		Real Property				
		Residential	Commercial	Industrial	Developmental	Agricultural
1997	1998	\$ 348,573,960	\$ 165,773,790	\$ 62,900	\$ -	\$ -
1998	1999	361,210,530	178,450,750	62,900	-	-
1999	2000	373,278,240	188,280,060	601,800	-	-
2000	2001	386,782,270	200,973,950	629,200	1,168,440	-
2001	2002	406,016,460	216,478,860	629,200	1,620,570	-
2002	2003	427,792,090	229,152,060	561,200	1,849,230	45,280
2003	2004	450,398,670	254,304,910	585,600	4,010,260	500,770
2004	2005	477,927,930	267,572,660	810,600	4,683,740	512,250
2005	2006	509,294,350	280,312,330	827,850	4,716,830	524,010
2006	2007	541,787,670	299,182,690	829,800	4,355,900	541,290

Note: Under Michigan law, the revenue base is referred to as “taxable value.” This amount represents assessed value (50 percent of true cash value), limited for each property by the lower of 5 percent or inflation.

Taxes levied in a particular “tax year” become revenue of the subsequent fiscal year.

Source: City of East Lansing Assessor

See independent auditor's disclaimer on the statistical information.

Revenue Capacity

Taxable Value and Actual Value of Taxable Property

	Total Value	Tax Rate (Mills)	Estimated Actual Value
\$	514,410,650	18.09	\$ 1,137,424,700
	539,724,180	18.09	1,194,918,300
	562,160,100	19.16	1,289,759,300
	589,553,860	19.28	1,365,893,600
	624,745,090	19.28	1,458,615,200
	659,399,860	19.28	1,558,752,600
	709,800,210	19.28	1,709,064,000
	751,507,180	19.28	1,830,639,400
	795,675,370	19.28	1,966,514,000
	846,697,350	19.28	2,091,515,200

City of East Lansing, Michigan

Tax Year	Millage Rates - Direct City Taxes				Overlapping Taxes				
	General		Solid	Total	Ingham	Lansing	Ingham	Capital Area	State
	Operating	Debt				Community	Intermediate	Transportation	
			Waste	Taxes	County	College	School District	Authority	Education
1997	15.0000	1.5000	1.5900	18.0900	7.8104	2.9355	6.1977	1.3779	6.0000
1998	15.0700	1.4300	1.5900	18.0900	7.7940	2.9355	6.1913	1.3779	6.0000
1999	15.0700	2.5000	1.5900	19.1600	7.7770	2.9223	6.1618	1.3720	6.0000
2000	15.0700	2.6200	1.5900	19.2800	7.7667	2.9106	6.1354	1.3710	6.0000
2001	15.2700	2.4200	1.5900	19.2800	7.7746	3.8926	6.1042	1.3890	6.0000
2002	15.3600	2.3300	1.5900	19.2800	8.2144	3.8733	6.0738	2.2031	6.0000
2003	15.5200	2.1700	1.5900	19.2800	8.6011	3.8544	6.0553	2.1878	5.0000
2004	15.6470	2.0430	1.5900	19.2800	8.5669	3.8375	6.0291	2.1835	6.0000
2005	15.7167	1.9733	1.5900	19.2800	8.6466	3.8112	5.9911	2.1677	6.0000
2006	15.8565	1.8335	1.5900	19.2800	9.4293	3.8072	5.9881	2.1838	6.0000

Note: The City has multiple overlapping tax districts due to 425 agreements, additional school districts, and TIF plans. The tax rates shown above relate to the City's tax for the East Lansing School District. Information relating to other overlapping tax districts can be obtained from the finance department at City Hall.

Note: Michigan law restricts the maximum millage that may be levied by the City without a vote of our residents, as follows:

	General	Solid	Waste
	Operating	Debt	
2006	17.5891	no limit	2.6381

Source: City of East Lansing Treasurer

See independent auditor's disclaimer on the statistical section information.

Revenue Capacity
Direct and Overlapping Property Tax Rates

<u>Overlapping Taxes</u>		<u>Total Tax Rate</u>	
East Lansing Schools Homestead	East Lansing Schools Non- homestead	Homestead	Non- homestead
6.6842	23.1900	49.0957	65.6015
6.3563	23.1900	48.7450	65.5787
6.5080	23.1865	49.9011	66.5796
9.4349	26.2909	52.8986	69.7546
9.4205	26.2788	53.8609	70.7192
9.3491	26.2716	54.9937	71.9162
9.2285	26.2676	54.2071	71.2462
9.2472	26.3000	55.1442	72.1970
9.1487	26.2920	55.0453	72.1886
9.0824	26.2860	55.7708	72.9744

City of East Lansing, Michigan

Revenue Capacity Principal Property Taxpayers

Taxpayer	2006 Taxable Value	Percentage of Total	1997 Taxable Value	Percentage of Total	1997 Rank
1 DTN Management	\$ 35,315,030	4.17	\$ -	-	-
2 MEA Special Services	15,869,550	1.87	9,294,520	1.81	1
3 Community Resources Management	14,268,430	1.69	-	-	-
4 Sam Eyde Development Co.	12,194,440	1.44	5,610,680	1.09	4
5 University Commons - EL	7,700,700	0.91	-	-	-
6 Dunn Development Group	7,110,400	0.84	6,205,660	1.21	2
7 American Physicians Insurance	7,095,590	0.84	-	-	-
8 Meijer, Inc.	7,035,100	0.83	5,682,930	1.10	3
9 Kesler Companies	6,441,190	0.76	-	-	-
10 WREL	5,694,800	0.67	-	-	-
- Jeff Wells & Associated Co.	-	-	5,001,170	0.97	5
- Michigan Physician Mutual Liability	-	-	4,887,370	0.95	6
- South Bend Nursing Home Assoc.	-	-	4,700,000	0.91	7
- Burcham Hill Retirement	-	-	4,205,130	0.82	8
- Cedar Village Apartments	-	-	3,931,700	0.76	9
- Consumers Power Company	-	-	3,852,100	0.75	10
Total	<u><u>\$118,725,230</u></u>	<u><u>14.03</u></u>	<u><u>\$ 53,371,260</u></u>	<u><u>10.39</u></u>	

Source: City of East Lansing Assessor

See independent auditor's disclaimer on the statistical section information.

City of East Lansing, Michigan

Revenue Capacity Property Tax Levies and Collections

Tax Year	Fiscal Year Ended June 30	Total Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected
1997	1998	\$ 9,868,390	\$ 9,851,640	99.83	\$ 12,272	\$ 9,863,912	99.95
1998	1999	10,320,082	10,307,224	99.88	9,844	10,317,068	99.97
1999	2000	11,305,639	11,291,598	99.88	10,822	11,302,420	99.97
2000	2001	11,895,973	11,845,685	99.58	47,872	11,893,557	99.98
2001	2002	12,525,643	12,460,341	99.48	64,230	12,524,571	99.99
2002	2003	13,070,316	13,025,905	99.66	43,191	13,069,096	99.99
2003	2004	13,940,160	13,834,601	99.24	103,775	13,938,376	99.99
2004	2005	14,735,579	14,628,362	99.27	101,950	14,730,312	99.96
2005	2006	15,736,656	15,673,206	99.60	56,277	15,729,483	99.95
2006	2007	16,717,263	16,691,757	99.85	9,902	16,701,659	99.91

Source: City of East Lansing Treasurer

See independent auditor's disclaimer on the statistical section information.

Debt Capacity

These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future.

City of East Lansing, Michigan

	1998	1999	2000	2001
Governmental Activities				
General obligation bonds	\$ 7,620,000	\$ 16,210,000	\$ 17,140,000	\$ 19,960,000
Installment purchase agreements	497,994	315,120	175,580	36,040
Special assessment bonds	298,310	1,523,733	1,383,576	1,182,682
Contractual agreements	-	-	-	-
Capital leases	-	-	-	-
Total	8,416,304	18,048,853	18,699,156	21,178,722
Business-type Activities				
General obligation bonds	32,114,367	30,875,762	30,249,663	44,820,849
Installment purchase agreements	-	-	-	-
Total	32,114,367	30,875,762	30,249,663	44,820,849
Total debt of the government	<u>\$ 40,530,671</u>	<u>\$ 48,924,615</u>	<u>\$ 48,948,819</u>	<u>\$ 65,999,571</u>
Total Taxable Value	\$ 514,410,650	\$ 539,724,180	\$ 562,160,100	\$ 589,553,860
Debt as a percentage of taxable value	7.88	9.06	8.71	11.19
Total Population	47,040	47,679	48,015	46,704
Total debt per capita	\$ 862	\$ 1,026	\$ 1,019	\$ 1,413

See independent auditor's disclaimer on the statistical section information.

**Debt Capacity
Ratios of Outstanding Debt**

2002	2003	2004	2005	2006	2007
\$ 19,160,000	\$ 25,085,496	\$ 24,190,496	\$ 25,498,876	\$ 24,379,041	\$ 24,333,342
-	-	-	-	-	-
6,176,788	5,655,894	4,890,000	4,180,000	3,480,000	6,695,000
-	-	-	-	555,000	2,942,946
-	-	-	-	89,806	45,495
25,336,788	30,741,390	29,080,496	29,678,876	28,503,847	34,016,783
44,915,064	42,807,794	42,023,306	44,107,600	44,448,051	46,698,154
-	-	-	-	-	944,181
44,915,064	42,807,794	42,023,306	44,107,600	44,448,051	47,642,335
<u>\$ 70,251,852</u>	<u>\$ 73,549,184</u>	<u>\$ 71,103,802</u>	<u>\$ 73,786,476</u>	<u>\$ 72,951,898</u>	<u>\$ 81,659,118</u>
\$ 624,745,090	\$ 659,399,860	\$ 709,800,210	\$ 751,507,180	\$ 795,675,370	\$ 846,697,350
11.24	11.15	10.02	9.82	9.17	9.64
46,677	46,999	46,535	46,417	46,419	46,009
\$ 1,505	\$ 1,565	\$ 1,528	\$ 1,590	\$ 1,572	\$ 1,775

City of East Lansing, Michigan

Fiscal Year	Limited Tax General Obligation Bonds (LTGO)	Tax Supported Bonds (UTGO)	Less Pledged Debt Service Funds	Other General Obligation Debt	Net General Obligation Debt	Taxable Value
1998	\$ -	\$ 7,620,000	\$ (7,310,000)	\$ 497,994	\$ 807,994	\$ 514,410,650
1999	-	16,210,000	(16,085,000)	315,120	440,120	539,724,180
2000	-	17,140,000	(15,640,000)	175,580	1,675,580	562,160,100
2001	3,545,000	16,415,000	(14,920,000)	36,040	5,076,040	589,553,860
2002	3,545,000	15,615,000	(14,170,000)	-	4,990,000	624,745,090
2003	10,400,000	14,770,000	(13,380,000)	-	11,790,000	659,399,860
2004	10,390,000	13,885,000	(12,550,000)	-	11,725,000	709,800,210
2005	12,625,000	12,955,000	(11,680,000)	-	13,900,000	751,507,180
2006	12,835,000	12,065,000	(10,855,000)	644,806	14,689,806	795,675,370
2007	13,735,000	11,010,000	(9,950,000)	2,988,441	17,783,441	846,697,350

See independent auditor's disclaimer on the statistical section information.

Debt Capacity
Ratios of General Bonded Debt Outstanding

Debt as a Percentage of Actual Taxable Value	Population	Net General Obligation Debt per Capita
0.16	47,040	\$ 17
0.08	47,679	9
0.30	48,015	35
0.86	46,704	109
0.80	46,677	107
1.79	46,999	251
1.65	46,535	252
1.85	46,417	299
1.85	46,419	316
2.10	46,009	387

City of East Lansing, Michigan

Debt Capacity Direct and Overlapping Governmental Activities Debt

Governmental Unit	Debt Outstanding	Estimated % Applicable	Estimated Share of Overlapping Debt
Ingham County	\$ 32,184,748	11.00	\$ 3,540,322
Clinton County	13,590,125	2.62	356,061
East Lansing School District	83,709,938	76.32	63,887,425
Lansing School District	72,630,000	2.84	2,062,692
Bath School District	24,962,571	8.94	2,231,654
Haslett School District	67,925,849	0.03	20,378
Lansing Community College	66,305,000	8.33	5,523,207
Total overlapping debt			77,621,739
Direct City debt	81,659,118	100.00	81,659,118
Total direct and overlapping debt			<u>\$ 159,280,857</u>

Source: City of East Lansing Records and Municipal Advisory Council of Michigan

See independent auditor's disclaimer on the statistical section information.

City of East Lansing, Michigan

	1998	1999	2000	2001
Calculation of Debt Limit -				
State equalized valuation	<u>\$568,712,350</u>	<u>\$597,459,150</u>	<u>\$644,879,650</u>	<u>\$682,946,800</u>
10% of taxable value	\$ 56,871,235	\$ 59,745,915	\$ 64,487,965	\$ 68,294,680
Calculation of Debt Subject to Limit -				
Total debt	40,530,671	48,924,615	48,948,819	65,999,571
Less debt not subject to limit:				
Special assessment bonds	(298,310)	(1,523,733)	(1,383,576)	(1,182,682)
Pollution abatement bonds	(17,865,000)	(17,095,000)	(16,323,200)	(19,075,000)
Deferred charges on refunding	<u>265,633</u>	<u>244,238</u>	<u>328,537</u>	<u>344,151</u>
Net debt subject to limit	<u>22,632,994</u>	<u>30,550,120</u>	<u>31,570,580</u>	<u>46,086,040</u>
Legal debt margin	<u>\$ 34,238,241</u>	<u>\$ 29,195,795</u>	<u>\$ 32,917,385</u>	<u>\$ 22,208,640</u>
Net debt subject to limit as a percentage of debt limit	39.80	51.13	48.96	67.48

See independent auditor's disclaimer on the statistical information.

**Debt Capacity
Legal Debt Margin**

2002	2003	2004	2005	2006	2007
<u>\$729,307,600</u>	<u>\$779,376,300</u>	<u>\$854,532,000</u>	<u>\$915,319,700</u>	<u>\$983,257,000</u>	<u>\$ 1,045,757,600</u>
\$ 72,930,760	\$ 77,937,630	\$ 85,453,200	\$ 91,531,970	\$ 98,325,700	\$ 104,575,760
70,251,852	73,549,184	71,103,802	73,786,476	72,951,898	81,659,118
(6,176,788)	(5,655,894)	(4,890,000)	(4,180,000)	(3,480,000)	(6,695,000)
(20,135,000)	(19,015,000)	(19,262,690)	(22,423,912)	(23,956,867)	(22,913,648)
<u>344,936</u>	<u>406,710</u>	<u>383,888</u>	<u>357,436</u>	<u>1,324,775</u>	<u>1,172,152</u>
<u>44,285,000</u>	<u>49,285,000</u>	<u>47,335,000</u>	<u>47,540,000</u>	<u>46,839,806</u>	<u>53,222,622</u>
<u>\$ 28,645,760</u>	<u>\$ 28,652,630</u>	<u>\$ 38,118,200</u>	<u>\$ 43,991,970</u>	<u>\$ 51,485,894</u>	<u>\$ 51,353,138</u>
60.72	63.24	55.39	51.94	47.64	50.89

City of East Lansing, Michigan

Debt Capacity Pledged-revenue Coverage

Fiscal Year	Special Assessment Bonds			
	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest	
1998	\$ -	\$ -	\$ -	-
1999	-	-	-	-
2000	298,936	100,000	95,416	1.53
2001	256,954	155,000	53,579	1.23
2002	204,301	150,000	45,498	1.05
2003	796,744	475,000	238,264	1.12
2004	1,125,679	720,000	209,523	1.21
2005	1,084,357	710,000	188,373	1.21
2006	1,312,137	700,000	164,623	1.52
2007	815,774	695,000	139,723	0.98

Source: City of East Lansing Treasurer

See independent auditor's disclaimer on the statistical information.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

City of East Lansing, Michigan

Demographic and Economic Information Demographic and Economic Statistics

Calendar Year	Population	Personal Income (in Thousands)	Per Capita Personal Income	City's Unemploy- ment Rate	State's Unemploy- ment Rate
1997	47,040	\$ 967,000	\$ 20,557	3.4	4.3
1998	47,679	1,011,000	21,204	3.4	4.0
1999	48,015	1,072,000	22,326	2.8	3.8
2000	46,704	1,104,000	23,638	3.3	3.7
2001	46,677	1,133,000	24,273	4.4	5.2
2002	46,999	1,156,000	24,596	5.3	6.2
2003	46,535	1,209,000	25,980	6.4	7.1
2004	46,417	1,217,000	26,219	7.1	7.0
2005	46,419	1,248,000	26,886	7.1	6.8
2006	46,009	913,645	19,858	7.1	6.9

Sources: U.S. Department of Commerce, Bureau of Economic Analysis,
U.S. Census Bureau

See independent auditor's disclaimer on the statistical information.

City of East Lansing, Michigan

Demographic and Economic Information Principal Employers

Taxpayer	Calendar Year		Calendar Year		Calendar Year 1997 Rank
	2006 Employees	Percentage of Total	1997 Employees	Percentage of Total	
1 Michigan State University	10,500	54.23	12,300	44.24	1
2 Meijer, Inc.	2,000	10.33	650	2.34	2
3 City of East Lansing	634	3.27	438	1.58	6
4 Burcham Hills Community	415	2.14	300	1.08	9
5 Kellogg Hotel & Conference Center	400	2.07	-	-	-
6 East Lansing School District	363	1.87	600	2.16	3
7 Michigan Education Association	320	1.65	526	1.89	4
8 MSU Federal Credit Union	297	1.53	-	-	-
- Michigan State Police	-	-	500	1.80	5
- UPS	-	-	375	1.35	7
- U.S. Postal Service	-	-	300	1.08	8
- Jacobson's	-	-	180	0.65	10

Source: Regional Economic Information System, Bureau of Economic Analysis, and U.S. Department of Commerce

See independent auditor's disclaimer on the statistical information.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of East Lansing, Michigan

Function/Program	1998	1999	2000	2001	2002	2003
General government:						
City manager and policy analysis	5.75	5.75	6.25	6.25	6.25	5.50
54-B District Court	32.25	31.50	30.75	30.00	30.00	30.50
Engineering and public works administration	8.50	10.50	11.75	14.75	14.25	13.50
Planning	10.00	10.75	11.75	11.25	10.50	10.50
Financial services and finance	17.25	14.50	14.75	15.75	16.25	15.50
Human resources	5.25	5.00	5.25	4.75	4.25	3.50
Clerk and elections	3.25	3.25	3.25	3.00	3.00	4.00
Communications	11.50	11.75	14.50	10.50	6.50	4.50
Public buildings	7.75	7.25	8.50	8.50	9.50	12.00
Information systems	2.00	3.00	3.00	4.00	4.00	4.00
Public safety:						
Police operations	107.50	100.75	102.50	104.00	120.00	101.50
Fire operations	58.50	53.00	53.00	54.00	54.00	54.00
Parking enforcement	9.00	8.50	9.25	9.50	10.25	11.00
Building and housing	10.25	11.50	11.50	12.50	12.75	12.00
Public works:						
Highways and streets	22.00	21.00	22.00	22.00	22.00	23.00
Water	10.00	9.00	9.00	10.00	10.00	6.00
Sewer	38.25	34.75	33.75	33.25	33.50	23.00
Parking	22.75	22.50	22.00	23.50	26.75	33.00
Garage	10.75	9.00	9.00	8.00	8.00	8.00
Culture and recreation:						
Parks and recreation	13.25	14.50	17.25	22.00	34.50	48.75
Library	21.75	21.25	22.50	23.75	23.75	18.50
Total	<u>427.50</u>	<u>409.00</u>	<u>421.50</u>	<u>431.25</u>	<u>460.00</u>	<u>442.25</u>

Source: City of East Lansing Finance Department

See independent auditor's disclaimer on the statistical information.

Operating Information
Full-time Equivalent Government Employees

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
6.50	6.25	6.25	5.25
30.50	31.50	31.50	32.50
15.00	13.00	13.00	13.00
10.50	11.00	12.25	12.75
16.00	17.25	16.25	17.00
3.50	3.50	4.00	3.50
3.50	3.75	3.75	4.00
3.50	3.50	3.50	4.50
11.00	13.00	13.00	10.00
4.00	4.00	4.00	4.00
100.50	102.25	99.25	101.00
54.00	53.00	53.00	53.00
8.50	10.50	10.50	10.50
13.00	14.00	13.75	14.50
22.00	20.00	22.00	22.00
10.00	7.00	8.00	8.00
33.00	28.50	28.50	28.50
33.00	27.00	28.25	30.00
8.00	8.00	8.00	8.00
107.50	93.00	89.75	94.50
<u>18.50</u>	<u>22.00</u>	<u>22.75</u>	<u>23.00</u>
<u>512.00</u>	<u>492.00</u>	<u>491.25</u>	<u>499.50</u>

City of East Lansing, Michigan

Function/Program	1998	1999	2000	2001	2002
Election data:					
Registered voters	33,112	31,001	29,463	26,897	25,931
Voters (at the polls or absentee)	12,842	3,600	16,427	4,034	10,693
Percent voting	38.8	11.6	55.8	15.0	41.2
District Court:					
Number of court cases (1)	19,973	18,555	18,941	19,193	19,880
Number of parking tickets (1)	71,420	75,317	74,294	75,795	70,352
Police:					
Physical arrests (1)	3,707	3,833	3,487	3,068	3,287
Traffic violations (1)	11,404	10,685	10,820	11,558	10,293
Investigations (1)	not available	not available	957	1,573	996
Fire:					
Fire runs (1)	1,451	1,000	837	692	773
Emergency medical runs (1)	2,156	2,344	2,192	2,342	2,428
Public works:					
Miles of street resurfaced	2.59	0.68	6.47	4.82	3.72
Refuse collected (cubic yards) (1)	10,376	10,289	11,926	12,127	13,122
Parks and recreation (2):					
Softball complex attendance	-	-	-	28,875	31,200
Soccer complex attendance	-	-	13,328	20,048	26,880
Aquatic center attendance	-	-	-	61,934	55,641
Hannah Center pass visits	-	-	-	-	7,629
Hannah Center rental reservations attendance	-	-	-	-	25,217
Adult day care participants	-	-	-	-	-
Adult day care hours of care	-	-	-	-	-
Child care registrants	-	-	-	-	-
Recreation and Arts programs registrants	-	-	-	-	-
Youth Action Team - After school	-	-	-	-	243
Aquatics/Athletics programs registrants	-	-	-	-	-
Library:					
Circulation (books borrowed)	311,443	319,815	323,587	342,879	420,503
Visitors	200,143	224,786	223,534	212,661	222,491
Water:					
Number of customers billed	not available	not available	31,893	27,169	32,269
Total consumption	not available	not available	1,031,170	845,576	995,958
Average consumption per user	not available	not available	32.33	31.12	30.86
Sewer - Average daily sewage treatment (MGD)	not available	11.3	11.1	12.4	12.2

(1) Amounts reflect the previous calendar year

(2) For those years without information, the program was not operated by the City of East Lansing

Source: City of East Lansing Records

See independent auditor's disclaimer on the statistical information.

Operating Information Operating Indicators

2003	2004	2005	2006	2007
25,231	28,932	27,321	29,072	not available
2,450	18,376	3,805	13,435	not available
9.7	63.5	13.9	46.2	not available
21,571	25,028	22,765	25,499	23,800
55,935	75,684	67,802	69,661	66,226
2,904	3,317	3,295	3,576	3,271
10,701	12,354	9,759	14,081	11,567
1,073	1,224	1,189	856	861
831	884	978	1,059	1,050
2,388	2,629	2,601	2,650	2,769
2.34	2.23	2.53	2.42	0.77
14,354	14,750	14,412	10,490	13,890
45,508	47,437	52,012	48,375	54,276
53,032	63,616	84,196	92,680	96,896
48,469	42,210	58,719	52,637	51,874
18,571	37,378	37,486	39,293	38,147
36,448	54,538	56,927	43,378	46,612
78	77	70	77	64
19,990	23,184	22,675	19,921	25,256
553	510	568	505	511
1,037	2,004	2,351	3,093	3,664
2,060	2,466	2,953	5,392	6,112
3,235	3,957	4,348	4,257	4,663
423,773	389,849	365,009	375,083	324,550
233,895	248,857	263,216	256,928	252,000
29,959	29,992	28,524	33,708	30,092
902,333	859,933	934,520	921,484	907,964
30.12	28.67	32.76	27.34	30.17
10.9	12.1	13.4	12.8	13.3

City of East Lansing, Michigan

Function/Program	1998	1999	2000	2001	2002
Police:					
Stations	1	1	1	1	1
Patrol units	11	11	12	12	12
Other vehicles	1	6	11	11	13
Fire:					
Stations	2	2	2	2	2
Fire response vehicles	2	2	2	2	2
Emergency response vehicles	3	3	3	3	3
Other vehicles	2	3	4	5	6
Public works:					
Streets (miles):					
Major streets	21.4	21.4	21.4	21.4	21.4
Local streets	60.2	60.2	60.2	60.2	60.2
Trunkline streets	8.2	8.2	8.2	8.2	8.2
Traffic signals	40	40	40	41	43
Refuse collection trucks	7	7	7	7	6
Recycling trucks	3	3	3	3	3
Parks and recreation:					
Acreage	310	342	405	412	412
Developed parks/playgrounds	19	20	21	25	25
Developed sporting fields	12	19	23	23	23
Libraries:					
Branches	1	1	1	1	1
Book collections	130,699	133,523	138,839	146,931	155,924
Water:					
Mains (miles)	80.40	80.58	81.16	84.64	87.35
Fire hydrants	not available	not available	not available	not available	not available
Storage capacity	1.95	1.95	1.95	1.95	1.95
Sewer:					
Miles of sanitary sewers	139.25	139.25	140.13	144.31	147.62
Treatment capacity	15.00	15.00	18.50	18.50	18.50

Source: City of East Lansing Records

See independent auditor's disclaimer on the statistical information.

Operating Information Capital Asset Statistics

2003	2004	2005	2006	2007
1	1	1	1	1
12	12	12	13	13
14	15	17	17	17
2	2	2	2	2
2	2	2	2	2
3	3	3	3	3
6	6	7	8	8
23.2	23.7	24.4	24.4	24.4
61.6	61.5	61.5	61.5	61.5
8.2	8.2	8.2	8.2	8.2
43	45	45	45	45
6	6	5	5	5
3	3	3	3	3
412	412	412	412	412
25	25	25	25	25
23	23	23	23	23
1	1	1	1	1
160,931	161,408	159,039	144,500	141,064
89.01	89.01	91.06	91.06	92.87
not available	not available	not available	842	862
1.95	1.95	1.95	1.95	1.95
149.26	149.26	151.07	151.07	152.17
18.50	18.50	18.50	18.50	18.50

City of East Lansing, Michigan

**Federal Awards
Supplemental Information
June 30, 2007**

City of East Lansing, Michigan

Contents

Independent Auditor's Report	I
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	4-5
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8-9



Plante & Moran, PLLC

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of East Lansing, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of East Lansing, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City of East Lansing, Michigan's basic financial statements, and have issued our report thereon dated October 11, 2007. Those basic financial statements are the responsibility of the management of the City of East Lansing, Michigan. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of East Lansing, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 11, 2007

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Honorable Mayor and
Members of the City Council
City of East Lansing, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of East Lansing, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City of East Lansing, Michigan's basic financial statements, and have issued our report thereon dated October 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of East Lansing, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of East Lansing, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of East Lansing, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Honorable Mayor and
Members of the City Council
City of East Lansing, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of East Lansing, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Council, federal awarding agencies, and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 11, 2007

Report on Compliance with Requirements Applicable to Each Major Program and
on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council
City of East Lansing, Michigan

Compliance

We have audited the compliance of the City of East Lansing, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The major federal programs of the City of East Lansing, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of East Lansing, Michigan's management. Our responsibility is to express an opinion on the City of East Lansing, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of East Lansing, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of East Lansing, Michigan's compliance with those requirements.

In our opinion, the City of East Lansing, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

To the Honorable Mayor and
Members of the City Council
City of East Lansing, Michigan

Internal Control Over Compliance

The management of the City of East Lansing, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of East Lansing, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement for a major program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a major federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement for a major program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance that is material to a type of compliance requirement for a major program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Council, and others within the entity and is not intended to be, and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 11, 2007

City of East Lansing, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Federal Agency/Pass-Through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Community Development Block Grants - Entitlement grant:	14.218			
B-03-MC-26-0024			\$ 752,000	\$ 87,000
B-04-MC-26-0024			727,000	9,997
B-05-MC-26-0024			690,456	284,946
B-06-MC-26-0024			618,529	234,995
B-06-SP-MI-0470 (Special Project Grant)			<u>346,500</u>	<u>160,677</u>
Total CDBG Grants			3,134,485	777,615
Section 108 Loan	14.248		<u>1,500,000</u>	<u>1,511,475</u> *
Total U.S. Department of Housing and Urban Development			4,634,485	2,289,090
U.S. Department of Homeland Security -				
Emergency Management Performance Grants -	97.042			
EMW2005FG Tandam SCBA Trailer		8969	54,000	54,000
U.S. Department of Justice -				
Office of Justice Programs - Bureau of Justice Assistance:				
Local Law Enforcement Block Grant - 2005-LB-BX0856	16.592		21,860	5,915
Local Law Enforcement Block Grant - 2006-LB-BX0856			14,993	14,993
Bullet Proof Vest Grant - 01008442	16.607		2,678	2,678
COPS Interoperable Communications Technology Grant (City of Lansing - Administrator)	16.710		<u>447,621</u>	<u>52,876</u>
Total Office of Justice Programs			487,152	76,462
U.S. Department of Transportation -				
Operation Nightcap - City of East Lansing	20.600	OHS-31	15,211	15,211
U.S. Department of Health and Human Services -				
Passed through Ingham County -				
National Family Caregiver Support	93.052	F3ECG	10,587	10,587
Environmental Protection Agency - Office of Water:				
Contaminated Soil Grant (T.Dempsey)	66.818	EPA-01	300,000	1,041
Passed through the State of Michigan -				
Capitalization Grants for Clean Water State Revolving Funds	66.458		<u>2,878,178</u>	<u>104,369</u>
Total Environmental Protection Agency			<u>3,178,178</u>	<u>105,410</u>
Total federal awards			<u>\$ 8,379,613</u>	<u>\$ 2,550,760</u>

* Includes program income

City of East Lansing, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of East Lansing, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Loans Outstanding

The U.S. Department of Housing and Urban Development (HUD) awarded Section 108 guaranteed loans to the City of East Lansing, Michigan in the aggregate amount of \$1,500,000 in fiscal year 2007. The loans are for the purpose of housing and economic redevelopment.

The expenditures related to the Section 108 guaranteed loan activity are disclosed on the schedule of expenditures of federal awards under CFDA 14.248. Loan repayments will commence in 2008. Collateral for repayments of the funds includes, in the following order, a pledge of the City of East Lansing, Michigan's Community Development Block Grant (CDBG) program income, proceeds from the sale of property acquired with HUD 108 loan proceeds, a Brownfield Economic Development Initiative (BEDI) that the City of East Lansing, Michigan is currently seeking, and a Special Purpose Grant that has been sought by the City of East Lansing, Michigan.

Note 3 - Subrecipient Awards

Of the federal expenditures presented in the schedules, federal awards were provided to subrecipients as follows:

Federal Program	CFDA Number	Amount	
		Provided to Subrecipients	
Community Development Block Grant	14.218	\$	74,020

City of East Lansing, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grant
14.248	Section 108 Loans

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

City of East Lansing, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None